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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)**

**PROPOSED 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  
ADJUSTMENT TO CONVERSION PRICE OF EXISTING PERPETUAL  
CONVERTIBLE SECURITIES  
AND  
ADJUSTMENT TO SUBSCRIPTION PRICE OF THE BONUS WARRANTS**

### **(1) PROPOSED OPEN OFFER**

The Company proposes to raise gross proceeds of not less than approximately HK\$301,148,038.02 (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date), but not more than approximately HK\$329,229,928.83 (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date), before expenses, by way of the Open Offer. Pursuant to the Open Offer, the Company shall allot and issue not less than 2,352,719,047 Offered Shares (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than 2,572,108,819 Offered Shares (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date) 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 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. The Open Offer will not be made available to the Excluded Shareholders.

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

As at the date of this announcement, Orient Victory Real Estate is interested in 6,891,330,020 Ordinary Shares, representing approximately 58.58% of the total issued share capital 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 Offered Perpetual Convertible Securities that will constitute its entitlement. The remaining Offered Securities are fully underwritten by Orient Victory Real Estate pursuant to the Underwriting Agreement. Orient Victory Real Estate will take up all the underwritten Offered Securities in the form of Offered Perpetual Convertible Securities.

The estimated net proceeds of the Open Offer will be not less than approximately HK\$301,148,038.02 (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than approximately HK\$329,229,928.83 (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date), and are intended to be applied in accordance with the manner set out in the section headed “Use of Proceeds” in this announcement below.

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

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.

**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 below 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 announcement 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.**

The Company has voluntarily appointed an independent financial adviser to advise the independent 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 will be included in the Open Offer Prospectus.

The Open Offer Prospectus containing further details of the Offered Securities will be despatched to the Ordinary Shareholders in due course.

## **(2) ADJUSTMENTS TO CONVERSION PRICE OF THE EXISTING PERPETUAL CONVERTIBLE SECURITIES AND SUBSCRIPTION PRICE OF THE BONUS WARRANTS**

Pursuant to the terms of the instrument constituting the Existing Perpetual Convertible Securities, the Open Offer will not result in an adjustment to the conversion price of the Existing Perpetual Convertible Securities.

Pursuant to the terms of the instrument constituting the Bonus Warrants, the subscription price of the Bonus Warrants will be adjusted as a result of the Open Offer from HK\$0.195 to HK\$0.193 (based on the latest available information) with effect from completion of the Open Offer. The auditor of the Company will confirm in writing the mathematical accuracy of the calculation of the Bonus Warrants Adjustment.

## **PROPOSED OPEN OFFER**

The Company proposes to raise gross proceeds of not less than approximately HK\$301,148,038.02 (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date), but not more than approximately HK\$329,229,928.83 (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date), before expenses, by way of the 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 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 as at the date of this announcement:	11,763,595,237 Ordinary Shares
Maximum number of Ordinary Shares in issue on or before the Record Date (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date):	12,860,544,096 Ordinary Shares
Offered Securities proposed to be issued:	Not less than 2,352,719,047 Offered Shares or units of Perpetual Convertible Securities (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than 2,572,108,819 Offered Shares or units of Perpetual Convertible Securities (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date)
Offered Securities Orient Victory Real Estate has undertaken to take up in respect of its assured entitlement:	1,378,266,004 units of 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 not less than 974,453,043 Offered Shares or units of Perpetual Convertible Securities (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than 1,176,054,243 Offered Shares or units of Perpetual Convertible Securities (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date). Orient Victory Real Estate will take up all the underwritten Offered Securities in the form of Offered Perpetual Convertible Securities.

*Note:* The above numbers assume that no Ordinary Shares will be issued (other than, where specified above, Ordinary Shares issued pursuant to the conversion or exercise (as the case may be) of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants) from the date of this announcement until the Record Date.

Under the Open Offer, based on the share capital of the Company as at the date of this announcement and assuming no further Ordinary Shares will be issued (whether pursuant to conversion or exercise (as the case may be) of the Existing Perpetual Convertible Securities or the Outstanding Bonus Warrants) on or before 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 date of this announcement or approximately 16.7% of the enlarged share capital immediately after the 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 date of this announcement and immediately after the 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.

### **Conditions for 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.

### **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 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 Application Form and lodging the same with a remittance for the Offered Securities being accepted.

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

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 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 5.19% to the closing price of HK\$0.135 per Ordinary Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) 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.

## **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 lodge all transfers of Ordinary Shares (together with the relevant share certificate(s)) by 4:00 pm (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.

The Company will send the Open Offer Documents to the Qualifying Shareholders, and will send the Open Offer Prospectus, for information only, to the Excluded Shareholders (if any) on the Prospectus Posting Date. The Company will ascertain whether there are any Overseas Shareholders at the Record Date who are Excluded Shareholders. In determining whether there will be Excluded Shareholders, the Company will, in compliance with the Listing Rules, make enquiries regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the offering of the Offered Securities by the Company to the Overseas Shareholders.

## **Closure of Register of Members**

The register of members of the Company will be closed from 22 September 2016 to 28 September 2016 (both dates inclusive) for determination of entitlements under the Open Offer. No transfer of any Ordinary Shares will be registered during this period.

## **Rights of Overseas Shareholders**

The Open Offer Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

The Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on the advice from the relevant legal advisers, the Board considers that it is necessary or expedient not to offer the Offered Securities to certain Overseas Shareholders on account either of the legal restrictions under the laws of the place of their registered addresses or the requirements of the relevant regulatory body or stock exchange in such jurisdiction, the Open Offer will not be made available to such Overseas Shareholders (being the Excluded Shareholders).

The Company will, to the extent permitted by relevant laws, send copies of the Open Offer Prospectus to the Excluded Shareholders for their information only, but the Company will not send any Application Forms or Excess Application Forms to the Excluded Shareholders. Any Offered Securities which would otherwise have comprised the assured allotments of the Excluded Shareholders will be available for application by the Qualifying Shareholders who wish to apply for the Offered Securities in excess of their own assured allotments.

## **Applications for Excess Offered Securities**

Any Offered Securities (i) not taken up by the Qualifying Shareholders in accordance with their proportional allocation; (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 (“**Top-up Arrangement**”).

Qualifying Shareholders will have the right to apply for the Offered Securities in excess of their own assured entitlements. Application for excess Offered Securities may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offered Securities being applied for but they are not assured of being allocated any Offered Securities in excess of their assured allotments. 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 units 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 a nominee company whose name appears on the register of members of the Company (“**Registered Nominee Company**”) as a single shareholder under the Top-up Arrangement. Accordingly, the Top-up Arrangement in relation to the allocation of excess Offered Securities will not be extended to the beneficial owners individually. Beneficial owners who hold their Ordinary Shares through a Registered Nominee Company are advised to consider whether they would like to arrange for registration of their Ordinary Shares in their own names prior to the relevant book close period.



## **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.

## **Certificates of the Offered Securities**

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 allotments are also expected to be posted on or before 24 October 2016 by ordinary post to the applicants at their own risk.

## **Application for Listing**

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 the payment of applicable stamp duty, Stock Exchange trading fee, transaction levy payable to the Securities and Futures Commission, and any other applicable fees and charges in Hong Kong.

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

As at the date of this announcement, none of the Existing Perpetual Convertible Securities have been converted and 784,257,857 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 1,096,948,859 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 date of this announcement.



## ADJUSTMENTS TO CONVERSION PRICE OF THE EXISTING PERPETUAL CONVERTIBLE SECURITIES AND SUBSCRIPTION PRICE OF THE BONUS WARRANTS

Pursuant to the terms of instrument constituting the Existing Perpetual Convertible Securities, the Open Offer will not result in an adjustment to the conversion price of the Existing Perpetual Convertible Securities.

Pursuant to the terms of instrument constituting the Bonus Warrants, the subscription price of the Bonus Warrants will be adjusted as a result of the Open Offer from HK\$0.195 to HK\$0.193 (based on the latest available information) with effect from completion of the Open Offer (the “**Bonus Warrants Adjustment**”). The auditor of the Company will confirm in writing the mathematical accuracy of the calculation of the Bonus Warrants Adjustment.

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

A summary of the principal terms and conditions of the 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.
Distributions:	Fixed coupon 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 deferral of Distributions:	<p>The Company may at its sole discretion elect to defer or 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 of optional deferral of Distribution 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 defer the accrued Distribution payable on the date of the redemption. For the avoidance of doubt, there will be no interest on any deferred 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. No part of the Distribution 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>
Conversion Price:	<p>Initially HK\$0.128 per Conversion Share, subject to adjustment as provided for in the terms of the Perpetual Convertible Securities, 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.</p>
Restrictions on Conversion	<p>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.</p>
Voting:	<p>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.</p>

**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 form of transfer in the agreed form as set out in the terms of the Perpetual Convertible Securities 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 (a) the Company has provided its written consent to the transfer (such consent shall not be unreasonably withheld); and (b) such transfer has been entered on the register of Holders.

**Redemption:** The Perpetual Convertible Securities may be redeemed at the option of the Company in full on any Distribution Payment Date at the face value of the outstanding principal amount of the Perpetual Convertible Securities to be redeemed. 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.

## **UNDERWRITING ARRANGEMENTS**

### **Undertaking to Subscribe for Assured Entitlement**

As at the date of this announcement, Orient Victory Real Estate is interested in 6,891,330,020 Ordinary Shares, representing approximately 58.58% of the total issued share capital 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 date of this announcement, 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 ( <i>Note</i> ):	All the Offered Securities other than those Offered Perpetual Convertible Securities which have been undertaken to be subscribed by Orient Victory Real Estate, being not less than 974,453,043 Offered Securities (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than 1,176,054,243 Offered Securities (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date). 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

***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 the Open Offer 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 the Open Offer Prospectus as referred to in paragraph (iii) below, a copy of the Open Offer 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 the Open Offer 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.

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 the Open Offer 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 the Open Offer 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:

- (a) 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;
- (b) has or will have or is likely to have a material adverse impact on the success of the Open Offer; or
- (c) makes it impracticable, inadvisable or inexpedient to proceed with the Open Offer on the terms and in the manner contemplated in this 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.

## **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 announcement 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.**

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

As at the date of this announcement, the shareholding structure of the Company is set out below:

	<i>No. of Ordinary Shares</i>	<i>%</i>
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>4,870,415,217</u>	<u>41.402</u>
Total	<u>11,763,595,237</u>	<u>100.000</u>

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

### (i) Assuming all Qualifying Shareholders elect to accept their respective entitlements

- (a) assuming (1) **none** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **is converted or exercised** (as the case may be) on or before the Record Date, and (2) 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			
	<i>No. of Ordinary Shares</i>	<i>%</i>	<i>No. of units of Perpetual Convertible Securities</i>	<i>No. of Ordinary Shares</i>	<i>%</i>	<i>No. of units of Perpetual Convertible Securities</i>
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	<u>5,844,498,260</u>	<u>45.883</u>	<u>–</u>	<u>5,844,498,260</u>	<u>41.402</u>	<u>–</u>
Total	<u>12,738,048,280</u>	<u>100</u>	<u>1,378,266,004</u>	<u>14,116,314,284</u>	<u>100</u>	<u>–</u>

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



- (b) assuming (1) **all** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **are converted or exercised** (as the case may be) on or before the Record Date, and (2) 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	7,056,325,459	50.00**	1,320,001,997	8,376,327,456	54.277	–
Mr. Dong Xiaojie*	2,057,143	0.013	–	2,057,143	0.013	–
Mr. Law Wang Chak, Waltery*	480,000	0.003	–	480,000	0.003	–
Holders of Bonus Warrants	834,014,118	5.404	–	834,014,118	5.404	–
Holders of Existing Perpetual Convertible Securities	375,275,938	2.432	–	375,275,938	2.432	–
Public	<u>5,844,498,260</u>	<u>37.871</u>	<u>–</u>	<u>5,844,498,260</u>	<u>37.871</u>	<u>–</u>
Total	<u>14,112,650,918</u>	<u>100</u>	<u>1,320,001,997</u>	<u>15,432,652,915</u>	<u>100</u>	<u>–</u>

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

\*\* Orient Victory Real Estate has undertaken to the Company to accept a combination of such number of the Offered Perpetual Convertible Securities and Offered Shares such that its shareholding in the Company would not fall below 50% of the Company's enlarged issued share capital immediately upon completion of the Open Offer.

- (c) assuming (1) **none** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **is converted or exercised** (as the case may be) on or before the Record Date, and (2) 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 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	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	4,870,415,217	41.402	974,083,043	5,844,498,260	41.402	–
Total	<u>11,763,595,237</u>	<u>100</u>	<u>2,352,719,047</u>	<u>14,116,314,284</u>	<u>100</u>	<u>–</u>

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

- (d) assuming (1) **all** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **are converted or exercised** (as the case may be) on or before the Record Date, and (2) 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 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	6,980,272,880	54.277	1,396,054,576	8,376,327,456	54.277	–
Mr. Dong Xiaojie*	1,714,286	0.013	342,857	2,057,143	0.013	–
Mr. Law Wang Chak, Waltery*	400,000	0.003	80,000	480,000	0.003	–
Holders of Bonus Warrants	695,011,765	5.404	139,002,353	834,014,118	5.404	–
Holders of Existing Perpetual Convertible Securities	312,729,948	2.432	62,545,990	375,275,938	2.432	–
Public	4,870,415,217	37.871	974,083,043	5,844,498,260	37.871	–
Total	<u>12,860,544,096</u>	<u>100</u>	<u>2,572,108,819</u>	<u>15,432,652,915</u>	<u>100</u>	<u>–</u>

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

(ii) **Assuming all Qualifying Shareholders elect not to accept their respective entitlements**

- (a) assuming **none** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **is converted or exercised** (as the case may be) on or before the Record Date, 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	2,352,719,047	9,244,049,067	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	<u>4,870,415,217</u>	<u>41.402</u>	<u>–</u>	<u>4,870,415,217</u>	<u>34.502</u>	<u>–</u>
Total	<u>11,763,595,237</u>	<u>100</u>	<u>2,352,719,047</u>	<u>14,116,314,284</u>	<u>100</u>	<u>–</u>

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

- (b) assuming **all** of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants **are converted or exercised** (as the case may be) on or before the Record Date, 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	6,980,272,880	54.277	2,572,108,819	9,552,381,699	61.897	–
Mr. Dong Xiaojie*	1,714,286	0.013	–	1,714,286	0.011	–
Mr. Law Wang Chak, Waltery*	400,000	0.003	–	400,000	0.003	–
Holders of Bonus Warrants	695,011,765	5.404	–	695,011,765	4.504	–
Holders of Existing Perpetual Convertible Securities	312,729,948	2.432	–	312,729,948	2.026	–
Public	<u>4,870,415,217</u>	<u>37.871</u>	<u>–</u>	<u>4,870,415,217</u>	<u>31.559</u>	<u>–</u>
Total	<u>12,860,544,096</u>	<u>100</u>	<u>2,572,108,819</u>	<u>15,432,652,915</u>	<u>100</u>	<u>–</u>

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

## 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:

$$\begin{array}{lcl} \text{dilution impact of} & & \text{the percentage of Offered Shares to} \\ \text{the Open Offer} & = & \text{be issued under the Open Offer with} \\ & \text{discount of the subscription price to} & \text{reference to the total issued share} \\ & \text{the latest closing price of HK\$0.135} & \text{capital of the Company as enlarged} \\ & \text{per Ordinary Share (as quoted on} & \text{by the Open Offer (the “Dilution} \\ & \text{the Stock Exchange on 2 September} & \text{Ratio”)} \\ & \text{2016, being the Last Trading Day)} & \end{array} \times$$

Based on the above formula, the dilution impact of the Open Offer is equal to approximately 0.87%, which is equivalent to 5.19% multiplied by 16.67%.

## USE OF PROCEEDS

The estimated net proceeds of the Open Offer will be not less than approximately HK\$301,148,038.02 (assuming none of the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants is converted or exercised (as the case may be) on or before the Record Date) and not more than approximately HK\$329,229,928.83 (assuming all the Existing Perpetual Convertible Securities and the Outstanding Bonus Warrants are converted or exercised (as the case may be) on or before the Record Date).

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\$1,000,000 and make initial capital injection to a fund to be established by the joint venture company of approximately HK\$200,000,000 (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; (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; (iv) the 6% distribution reserve for the Offered Perpetual Convertible Securities; and (v) if possible, acquire asset(s) with potential appreciation so as to enhance the asset value of the Group. The Company is still looking for suitable target(s) for acquisition.

Save as disclosed above or elsewhere in this Announcement, 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.
- (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 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 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 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.
- (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 Convertible Securities</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)
<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 (Note)</b>	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 independent 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 will be included in the Open Offer Prospectus.



## **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 for issue of certificate for the Perpetual Convertible Securities, which will be borne by the Company;
- iii. a fee of HK\$2.5 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 charged by the Company's share registrar in relation to the conversion of Perpetual Convertible Securities into Ordinary Shares (the "**Conversion Cost**"), which will be borne by the Company.

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.

#### **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.
- 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.

## 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 announcement:

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of the proceeds
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.	<p>All of the proceeds have been utilised for the following activities:</p> <p>(i) partial repayment of a third party loan;</p> <p>(ii) partial repayment of the Related Party Loan; (<i>Note 1</i>)</p> <p>(iii) payment of acquisition cost for Hanli Investments Ltd;</p> <p>(iv) payment of operating expenses of the Company.</p>

<b>Date of announcement</b>	<b>Fundraising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of the net proceeds</b>	<b>Actual use of the proceeds</b>
5 April 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.	<p>On 4 May 2016, a total of 1,568,476,768 Bonus Warrants were issued, out of which 784,257,857 units of Bonus Warrants have been converted into Ordinary Shares raising proceeds of approximately HK\$152,930,282. Among all the proceeds raised from the conversion:</p> <p>(i) approximately HK\$152,926,800 has been used to repay part of the Related Party Loan, and</p> <p>(ii) the balance has been kept by the Company for general working capital purpose.</p> <p>As of the date of this announcement, the 784,218,911 units of Bonus Warrants remains outstanding.</p>

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.	<p>The proceeds have been utilised for the following activities:</p> <p>(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;</p> <p>(ii) the first two Distributions to the holders of Existing Perpetual Convertible Securities</p> <p>(iii) partial repayment of a third party loan; and</p> <p>(iv) partial repayment of the Related Party Loan (Note 1).</p>

*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 announcement.

## CUMULATIVE DILUTION IMPACT OF EQUITY FUND RAISINGS 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 ( <i>Note</i> )	3.32%

### Issue of subscription shares on 7 July 2015

Price discount	22.92%
Dilution ratio ( <i>Note</i> )	16.49%

### Issue of Bonus Warrants on 5 April 2016

Price discount	39.06%
Dilution ratio ( <i>Note</i> )	12.50%

### Open Offer

Discount on Open Offer price	5.19%
Dilution ratio ( <i>Note</i> )	16.67%

### Accumulated dilution impact

<i>(i.e. the summation of the subscription/issue price discount multiplied by the dilution ratio in each of the above fund raising exercises)</i>	<b>9.84%</b>
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*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.

## LISTING RULES IMPLICATIONS

Under the Listing Rules, the Open Offer is not subject to the approval of the Ordinary Shareholders.

## EXPECTED TIMETABLE

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

	2016
Last day of dealings in Ordinary Shares on a cum-entitlement basis for the Open Offer .....	Monday, 19 September
First day of dealings in Ordinary Shares on an ex-entitlement basis for the Open Offer .....	Tuesday, 20 September
Latest time for lodging transfers of Ordinary Shares in order to qualify for the Open Offer .....	4:00 pm on Wednesday, 21 September



Register of members to be closed (both days inclusive) . . . . .	Thursday, 22 September to Wednesday, 28 September
Record Date . . . . .	Wednesday, 28 September
Register of members to be re-opened . . . . .	Thursday, 29 September
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 pm on Friday, 14 October
Latest time for the termination of the Underwriting Agreement . . . . .	5:00 pm 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 am on Tuesday, 25 October

Dates or deadlines specified in this announcement refer to Hong Kong local times and dates and are indicative only and may be varied by agreement between the Company and Orient Victory Real Estate. Any consequential changes to the expected timetable will be published or notified to the Ordinary Shareholders as and when appropriate.

## DEFINITIONS

“Application Forms”	the forms of application in respect of the Offered Securities to be issued to the Qualifying Shareholders
“Articles”	the articles of association of the Company
“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”	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
“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, and the Ordinary Shares are listed on the Main Board of the Stock Exchange
“Conversion Shares”	the new Ordinary Shares to be allotted and issued to the holders of Offered Perpetual Convertible Securities upon the conversion of the Offered Perpetual Convertible Securities
“Directors”	directors of the Company
“Excess Application Forms”	the forms of application 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

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	2 September 2016, being the last trading day before the date of this announcement
“Latest Time for Acceptance”	4:00 pm 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 pm 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
“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”	the Open Offer Prospectus, the Application Forms and the Excess Application Forms
“Open Offer Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Ordinary Shares”	ordinary shares in the share capital of the Company
“Ordinary Shareholders”	holders of Ordinary Shares
“Orient Victory Real Estate”	Orient Victory Real Estate Group Holdings Limited, the controlling shareholder of the Company and wholly owned by Mr. Shi Baodong, an executive Director and the chairman of the Company, and the underwriter of the Open Offer
“Outstanding Bonus Warrants”	the outstanding amount of Bonus Warrants, being 784,218,911 units, as at the date of this announcement
“Overseas Shareholders”	the Ordinary Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown in the register of members of the Company on that date are outside Hong Kong
“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 excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus Posting Date”	the date of despatch of the Open Offer Documents which is currently expected to be 29 September 2016 or such other date as Orient Victory Real Estate may agree in writing with the Company
“Qualifying Shareholders”	the Ordinary Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date for determining entitlements to participate in the Open Offer which is currently expected to be 28 September 2016
“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

“Registrar”	Union Registrars Limited, the Company’s Hong Kong branch share registrar and registrar for the Offered Securities
“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
“subsidiary”	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

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

Hong Kong, 5 September 2016

*As at the date of this announcement, the Board of the Company comprises 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.*

*This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.*