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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **Orient Victory China Holdings Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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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)**

**CONNECTED TRANSACTION – INVESTMENT AGREEMENT  
INVOLVING PROPOSED ISSUE OF PERPETUAL CONVERTIBLE  
SECURITIES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**



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

**Nuada Limited***Corporate Finance Advisory*

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A notice convening an extraordinary general meeting of Orient Victory China Holdings Limited (the “Company”) to be held at Conference room 3-5, 10th Floor, United Conference Centre, United Centre, 95 Queensway, Hong Kong on Tuesday, 8 September 2015 at 11:00 a.m. is set out on pages 69 to 70 of this circular.

A proxy form for use at the extraordinary general meeting is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting or any adjournment thereof, you are requested to read the notice and complete and return the proxy form in accordance with the instructions printed thereon, to the Company’s share registrar in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Such proxy form is also published on The Stock Exchange of Hong Kong Limited’s HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.orientvictorychina.com.hk](http://www.orientvictorychina.com.hk). Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof, should you so wish and in such event, the proxy form will be deemed to have been revoked.

21 August 2015

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS . . . . .</b>	<b>1</b>
<b>LETTER FROM THE BOARD . . . . .</b>	<b>13</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE . . . . .</b>	<b>34</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER . . . . .</b>	<b>35</b>
<b>APPENDIX I – GENERAL INFORMATION . . . . .</b>	<b>56</b>
<b>APPENDIX II – ADJUSTMENTS TO THE CONVERSION PRICE OF THE PERPETUAL CONVERTIBLE SECURITIES . . .</b>	<b>61</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING . . . . .</b>	<b>69</b>

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## DEFINITIONS

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

“Account Charge”	a fixed and floating security deed over the Reserve Account to be granted by the Company in favour of the Security Agent
“Acquisition”	the proposed acquisition of the 49% equity interest in the Target Company as announced by the Company on 9 April 2015
“All Distribution”	on a per 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 Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but exclude a Scrip Dividend adjusted for under (ii) below); 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 Shares by or on behalf of the Company (or a purchase of 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% of the Current Market Price of the Shares on that day
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“Announcement”	the announcement of the Company dated 28 June 2015 in relation to, among other things, the Investment Agreement, the SPAs and the transactions contemplated thereunder (including the proposed issue of the Perpetual Convertible Securities under a specific mandate)
“Board”	the board of Directors

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## DEFINITIONS

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“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong or the PRC
“BVI”	the British Virgin Islands
“China Huarong”	China Huarong Asset Management Co., Ltd
“Collateral”	the 100% shareholding interest in Donghui HK, the 100% equity interest in Shenzhen Subsidiary and the Reserve Account
“Company”	Orient Victory China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the issue and subscription of the Perpetual Convertible Securities in accordance with the Investment Agreement
“Completion Date”	the date of the Completion, which shall be the 15th Business Day after the all conditions precedent are either satisfied or waived (except those conditions precedent which can only be satisfied or waived on the Completion Date pursuant to the terms of the Investment Agreement) or on such other date as the parties to the Investment Agreement may agree, but in any event no later than 31 October 2015
“Compulsory Distribution Payment Event”	<p>(a) circumstances in which during the 6-month period ending on the day before the relevant scheduled Distribution Payment Date either or both of the following have occurred:</p> <p>(i) a discretionary dividend, distribution or other payment has been declared or paid by the Company on or in respect of any of its Parity Securities or Junior Securities; or</p> <p>(ii) the Company has at its discretion repurchased, redeemed or otherwise acquired any of its Parity Securities or Early Redeemable Securities prior to its stated maturity or Junior Securities; or</p>

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## DEFINITIONS

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	(b) if the Company has given notice to the Holders not more than 60 nor less than 30 business days prior to the relevant scheduled Distribution Payment Date that it intends to pay the Distribution on the next Distribution Payment Date
“Condition(s)”	the terms and conditions in relation to the Perpetual Convertible Securities
“Conversion Price”	HK\$2.718, being the initial price per Conversion Share at which the Perpetual Convertible Securities may be converted into Conversion Shares pursuant to the terms and conditions of the Instrument
“Conversion Rights”	the rights attaching to the Perpetual Convertible Securities to convert the principal amount or a part thereof into the Conversion Shares
“Conversion Shares”	62,545,990 new Shares to be allotted and issued by the Company upon exercise by the holder(s) of the Perpetual Convertible Securities of the Conversion Rights attaching to the Perpetual Convertible Securities in full
“Corporate Guarantee”	the deed of guarantee to be executed by Longtrade Genesis in favour of the Investors, pursuant to which Longtrade Genesis shall guarantee the obligations of the Company under the Instrument
“CTM”	Chance Talent Management Limited, a company incorporated in the BVI and being one of the Investors
“CTM Perpetual Convertible Securities”	the perpetual convertible securities in an aggregate principal amount of HK\$70,000,000 having a denomination of HK\$1,000,000 each to be subscribed by CTM pursuant to the Investment Agreement
“CTM SPA”	the share purchase agreement dated 27 June 2015 entered into between Orient Victory Real Estate and CTM in relation to the Transfer of Shares to CTM

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## DEFINITIONS

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“Current Market Price”	in respect of a Share on a particular date, the average of the daily Volume Weighted Average Price of one Share on each of the five consecutive trading Days ending on and including the trading Day immediately preceding such date
“Debt Securities”	any present or future indebtedness in the form of, or represented by, bonds, debentures, notes, loan stock or other debt securities but shall exclude any indebtedness constituted by loan agreements with lenders not involving the issue of securities
“Director(s)”	director(s) of the Company
“Distribution Rate”	the rate of distribution(s) applicable to the Perpetual Convertible Securities which shall be 6% per annum pursuant to the Instrument
“Donghui HK”	Donghui Hong Kong Holdings Limited, a company incorporated in Hong Kong and the entire issued share capital of which is owned by Donghui Holdings
“Donghui Holdings”	Donghui Holdings Limited, a company incorporated in the BVI and the entire issued share capital of which is owned by the Company
“Early Redeemable Securities”	any Debt Securities issued or guaranteed by the Company which ranks or is expressed to rank, by its terms or by operation of law, at least <i>pari passu</i> with the Perpetual Convertible Securities and the terms of which include an early redemption option
“Early Repurchase Date”	the date of the Third Anniversary
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder (including the issue of the Perpetual Convertible Securities and the grant of a specific mandate to allot and issue the Conversion Shares)

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## DEFINITIONS

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“Fair Market Value”	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 Share shall be the amount of such cash dividend per 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
“Forced Put Option”	the put option to require Mr. Shi to purchase Perpetual Convertible Securities held by a Holder at the Forced Repurchase Price
“Forced Redemption Price”	such amount as would result in an internal rate of return on the Perpetual Convertible Securities to be redeemed of 20% per annum from the Completion Date to the date of redemption (which for the avoidance of doubt, shall include the principal amount of the Perpetual Convertible Securities)
“Forced Repurchase Event”	has the meaning given to it in the “Letter of the Board” in this circular under the heading “Principal terms and conditions of the Perpetual Convertible Securities”
“Forced Repurchase Price”	such amount as would result in an internal rate of return on the Perpetual Convertible Securities to be purchased of 20% per annum from the Issue Date to the date of forced repurchase (which shall include the principal amount of the Securities)
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Shi and Longtrade Genesis
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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## DEFINITIONS

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“Holder(s)”	holder(s) of the Perpetual Convertible Securities
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Adviser”	an independent adviser (including a valuer) of international repute (acting as an expert) selected by the Company and approved by all the Holders
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors (namely Mr. Dong Xiaojie, Mr. He Qi, Mr. Law Wang Chak, Waltery) established for the purpose of considering and advising the Shareholders on the terms of the Investment Agreement, and the transactions contemplated thereunder
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders as to the Investment Agreement and the transactions contemplated thereunder (including the issue of the Perpetual Convertible Securities and the grant of a specific mandate to allot and issue the Conversion Shares)
“Independent Shareholders”	the shareholders of the Company other than Orient Victory Real Estate, CTM, OGH and their respective associates
“Independent Third Party(ies)”	a third party independent of the Company and the connected persons of the Company
“Instrument”	instrument to be executed as a deed by the Company on the Completion Date constituting the Perpetual Convertible Securities in the form as set out in the Investment Agreement
“Investment Agreement”	the investment agreement dated 27 June 2015 entered into by the Company, the Investors and the Guarantors
“Investor(s)”	CTM and/or OGH



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## DEFINITIONS

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“Issue Date”	the date of issue of the Perpetual Convertible Securities
“Junior Securities”	any class of the Company’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Company
“Last Trading Day”	26 June 2015, being the last trading day prior to the signing of the Investment Agreement
“Latest Practicable Date”	19 August 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longtrade Genesis”	Longtrade Genesis Limited, a company incorporated in the BVI and the entire issued share capital of which is owned by Mr. Shi
“Major Assets”	any assets relating to the travel-related business or health-care business of the Group which amounts to at least 20% of the total assets of the Group based on the Company’s latest published financial statements, and for the avoidance of doubt, does not include any available-for-sale financial assets of the Group
“Material Adverse Change”	any change, event, circumstance or other matter that has, either individually or in the aggregate, a material adverse effect on the business, operations, financial condition, assets or liabilities of the Group taken as a whole which results in a net decrease in the Group’s consolidated net asset value by more than 50% of its consolidated net asset value as shown in the latest published financial statement of the Group
“Mr. Shi”	Mr. Shi Baodong, the chairman of the Company and an executive Director and who beneficially owns the entire issued share capital of Longtrade Genesis and Orient Victory Real Estate

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## DEFINITIONS

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“OGH”	Outstanding Global Holdings Limited, a company incorporated in the BVI and being one of the Investors
“OGH Perpetual Convertible Securities”	the perpetual convertible securities in an aggregate principal amount of HK\$100,000,000 having a denomination of HK\$1,000,000 each to be subscribed by OGH pursuant to the Investment Agreement
“OGH SPA”	the share purchase agreement dated 27 June 2015 entered into between Orient Victory Real Estate and OGH in relation to the Transfer of Shares to OGH
“Optional Redemption Price”	such amount as would result in an internal rate of return on the Perpetual Convertible Securities to be redeemed of 12% per annum from the Issue Date to the date of redemption (which for the avoidance of doubt, shall include the principal amount of the Perpetual Convertible Securities)
“Orient Victory Real Estate”	Orient Victory Real Estate Group Holdings Limited, a company incorporated in the BVI and being a controlling shareholder of the Company
“Parity Securities”	any Debt Securities issued or guaranteed by the Company (i) which ranks or is expressed to rank, by its terms or by operation of law, <i>pari passu</i> with the Perpetual Convertible Securities and (ii) the terms of which provide that the making of payment thereon or distributions in respect thereof are fully at the discretion of the Company
“Relevant Cash Dividend”	the aggregate cash dividend or distribution declared by the Company, including any cash dividend in respect of which there is any Scrip Dividend
“Perpetual Convertible Securities”	the CTM Perpetual Convertible Securities and the OGH Perpetual Convertible Securities
“Personal Guarantee”	the deed of guarantee to be executed by Mr. Shi in favour of the Investors pursuant to which Mr. Shi shall, among others, guarantee the obligations of the Company under the Transaction Documents and the Security Documents

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Put Option”	the put option to require Mr. Shi to purchase all or part of the Perpetual Convertible Securities held by an Investor or a Holder on the Third Anniversary at the Put Repurchase Price
“Put Repurchase Price”	such amount as would result in an internal rate of return on the Perpetual Convertible Securities to be redeemed of 12% per annum from the issue date of the Perpetual Convertible Securities to the Early Repurchase Date (which shall include the principal amount of the Perpetual Convertible Securities)
“Reference Price”	5-day average closing price of the Shares ending on the Third Anniversary (or if it is not a Business Day, the immediately preceding Business Day) as quoted on the Stock Exchange
“Reserve Account”	a HK\$ bank account of the Company as designated by the Investors
“Scrip Dividend”	any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under the terms of the Perpetual Convertible Securities in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under the terms of the Perpetual Convertible Securities)
“Security Agent”	CTM
“Security Documents”	Share Charge On Donghui HK, WFOE Pledge On Shenzhen Subsidiary, the Account Charge and any other agreements or instrument that in each case may evidence or create any security interest in favour of the Security Agent in any or all of the Collateral

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Share Charge On Donghui HK”	the share charge to be executed by Donghui Holdings in favour of the Security Agent as agent for and on behalf of the Investors, pursuant to which Donghui Holdings shall charge all the issued shares of Donghui HK to secure the obligations of the Company under the Investment Agreement, the Instrument, the Perpetual Convertible Securities certificates
“Shareholder(s)”	holder(s) of the Shares
“Share Scheme Options”	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 of the Company 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 or, if applicable, those of an Alternative Stock Exchange)
“Shenzhen Subsidiary”	Shenzhen Dong Sheng Hua Yu Commercial Management Company Limited* (深圳東勝華譽商業管理有限公司), a company established in Shenzhen, PRC and the entire equity interest in which is owned by Donghui HK
“SPAs”	the CTM SPA and the OGH SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Indebtedness”	all Debt Securities which is subordinated, in the event of the winding up in respect of the Company, in right of payment to the claims of unsecured and unsubordinated creditors of the Company, and for this purpose Debt Securities shall include all liabilities, whether actual or contingent

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## DEFINITIONS

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“Subscription Amount”	in respect of CTM, HK\$70,000,000 minus the sum of (i) HK\$4,200,000; and (ii) the amount of legal and professional expenses incurred by CTM in connection with Transactions pursuant to the terms of the Investment Agreement; and in respect of OGH, HK\$100,000,000 minus the sum of (i) HK\$6,000,000; and (ii) the amount of expenses incurred by OGH in connection with Transactions pursuant to the terms of the Investment Agreement
“Target Company”	China Comfort Travel Group Company Limited* (中國康輝旅行社集團有限責任公司), a company established in the PRC and the target company of the Acquisition
“Third Anniversary”	the third anniversary of the Completion Date
“Transaction Documents”	the Investment Agreement, the Instrument, the Perpetual Convertible Securities certificates, the Personal Guarantee and the Corporate Guarantee
“Transactions”	the issue by the Company of, and the subscription by the Investors for, the Perpetual Convertible Securities, and the other transactions contemplated by the Investment Agreement on the terms and conditions of the Investment Agreement
“Transfer of Shares to CTM”	the transfer of 56,470,000 Shares from Orient Victory Real Estate to CTM pursuant to the CTM SPA
“Transfer of Shares to OGH”	the transfer of 87,275,000 Shares from Orient Victory Real Estate to OGH pursuant to the OGH SPA
“Volume Weighted Average Price”	in respect of a Share on any trading day, the order book volume-weighted average price of a 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 as set out in the terms and conditions of the Instrument
“VSA Announcement”	the announcement of the Company dated 9 April 2015 in relation to, among other things, the Acquisition

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## DEFINITIONS

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“WFOE Pledge On Shenzhen  
Subsidiary”

the equity pledge to be executed by Donghui Hong Kong Holdings Limited in favour of the Security Agent as agent for and on behalf of, among others, the Investors, pursuant to which Donghui HK shall pledge all of its equity interest in Shenzhen Subsidiary to secure the obligations of the Company under the Investment Agreement, the Instrument, the Perpetual Convertible Securities certificates

\* *for identification purpose only*

In this circular, the terms “close associate(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary/subsidiaries” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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LETTER FROM THE BOARD

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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)**

***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

21 August 2015

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION – INVESTMENT AGREEMENT  
INVOLVING PROPOSED ISSUE OF PERPETUAL CONVERTIBLE  
SECURITIES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Investment Agreement, the SPAs and the transactions contemplated thereunder (including the proposed issue of perpetual convertible securities under a specific mandate).

On 27 June 2015, the Company as issuer and Mr. Shi and Longtrade Genesis as guarantors have conditionally agreed to enter into the Investment Agreement with the Investors in relation to, among other things, the proposed issue of the Perpetual Convertible Securities under a specific mandate. Pursuant to the Investment Agreement, the Company has conditionally agreed to issue, and CTM and OGH have conditionally agreed to subscribe for, the CTM Perpetual Convertible Securities and the OGH Perpetual Convertible Securities, respectively.

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## LETTER FROM THE BOARD

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Upon full conversion of the Perpetual Convertible Securities at the initial Conversion Price, the Perpetual Convertible Securities will be convertible into 62,545,990 Shares, representing approximately 3.43% of the existing issued share capital of the Company and approximately 3.32% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Securities.

Under the Investment Agreement and the Personal Guarantee, Mr. Shi will, at the option of an Investor as holder of Perpetual Convertible Securities or any Holder, purchase all or part of their holding of Perpetual Convertible Securities on the Third Anniversary at the Put Repurchase Price.

Under the Investment Agreement, Mr. Shi undertakes that if an Investor fails to achieve an internal rate of return of 12% on the Third Anniversary in respect of the Perpetual Convertible Securities not purchased by Mr. Shi pursuant to the Put Option, Mr. Shi will pay such Investor an amount in order to make up an internal rate of return of 12% on such Perpetual Convertible Securities.

Mr. Shi will also undertake in the Personal Guarantee that upon the occurrence of a Forced Repurchase Event, a Holder may serve a notice on Mr. Shi requiring Mr. Shi to purchase, and Mr. Shi shall purchase, the outstanding Perpetual Convertible Securities held by such Holder on the date of purchase at the Forced Repurchase Price.

### TRANSFER OF SHARES

Pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO, the Board announced in the Announcement that the Company was informed by Orient Victory Real Estate, the controlling shareholder of the Company, on 27 June 2015 that Orient Victory Real Estate entered into the SPAs with each of the Investors, pursuant to which Orient Victory Real Estate respectively agreed to off-the-market transfer 56,470,000 Shares to CTM at the consideration of HK\$1.51 per Share and transfer 87,275,000 Shares to OGH at the consideration of HK\$1.51 per Share respectively.

### LISTING RULES IMPLICATIONS

Mr. Shi is an executive Director and holds a controlling interest in the Company and all of the issued share capital of Longtrade Genesis, as at the date of the Latest Practicable Date. Mr. Shi and Longtrade Genesis are therefore connected persons of the Company. Each of the guarantees provided by Mr. Shi and Longtrade Genesis under the Investment Agreement, the Personal Guarantee and the Corporate Guarantee will constitute financial assistance to be provided by a connected person for the benefit of the Company, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services, and which is exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the guarantees.



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## LETTER FROM THE BOARD

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In the event that an Investor or a Holder exercises the Put Option or the Forced Put Option, Mr. Shi shall be required to purchase the relevant outstanding Perpetual Convertible Securities in accordance with the terms of the Investment Agreement. Accordingly, the entering into the Investment Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval at the EGM. As at the Latest Practicable Date, Orient Victory Real Estate (a company which is entirely owned by Mr. Shi), CTM and OGH held and were entitled to exercise the voting rights in respect of approximately 66.22%, approximately 3.10% and approximately 4.78% of the issued share capital of the Company, respectively. Orient Victory Real Estate, CTM and OGH and their respective associates will abstain from voting on the resolutions at the EGM.

Save that Mr. Shi had abstained from voting on the relevant board resolutions passed at the meeting of the Board to approve the Investment Agreement and the transactions contemplated thereunder, no other Directors were required to abstain from voting on the resolutions passed by the Board to approve the same.

The purpose of this circular is to provide you with, among other things, (i) further details of the Investment Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholder in respect of the Investment Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder containing its opinion and recommendation in respect of the Investment Agreement and the transactions contemplated thereunder; and (iv) the notice of the EGM.

### THE INVESTMENT AGREEMENT

The main terms of the Investment Agreement are summarised below:

#### **Date**

27 June 2015

#### **Parties**

- (1) the Company (as issuer);
- (2) CTM (as investor);
- (3) OGH (as investor);
- (4) Mr. Shi (as guarantor); and
- (5) Longtrade Genesis (as guarantor).

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## LETTER FROM THE BOARD

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### Conditions Precedent to the Investment Agreement

Completion shall be conditional on the following conditions precedent being satisfied (or, where applicable, waived):

- (a) save in respect of WFOE Pledge On Shenzhen Subsidiary, all the necessary regulatory filings, notifications and approvals to the relevant government authorities to enter into the Transaction Documents and the Security Documents and perform the obligations of the parties (other than the investors) thereunder shall have been made and obtained, and such filings, notifications and approvals remaining valid and effective, and no government authority shall have been taken or initiated any action which would prohibit the transactions contemplated under the Transaction Documents or any of the Security Documents;
- (b) the Company shall have obtained all necessary approvals (including but are not limited to any necessary approval by the Independent Shareholders), consents and waivers from the Stock Exchange for the Transactions and for the listing of, and permission to deal in, any Conversion Shares that may be required to be issued to each of the Investors on conversion of the Perpetual Convertible Securities;
- (c) the EGM shall have been held and (i) the execution of the Investment Agreement, the other transaction and security documents in relation to the Perpetual Convertible Securities and the performance of the Company's obligations under such documents; and (ii) the issue of the Perpetual Convertible Securities to the Investors in accordance with the Investment Agreement shall have been approved by the Independent Shareholders;
- (d) the Share Charge On Donghui HK shall have been duly executed by Donghui Holdings, which shall be in such form as reasonably satisfactory to the Investors;
- (e) the WFOE Pledge On Shenzhen Subsidiary shall have been duly executed by Donghui HK and Shenzhen Subsidiary, which shall be in such form as reasonably satisfactory to the Investors;
- (f) the Personal Guarantee shall have been duly executed by Mr. Shi, which shall contain, among other things, the Put Option and shall be in such form as reasonably satisfactory to the Investors;
- (g) the Corporate Guarantee having been duly executed by Longtrade Genesis, which shall be in such form as satisfactory to the Investors;
- (h) the representations and warranties given by the Company and the Guarantors under the Investment Agreement are as at the date of the Investment Agreement and will as at the Completion Date be true, accurate and not misleading in all material respects;

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## LETTER FROM THE BOARD

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- (i) the Company and the Guarantors having performed all of their respective obligations under the Investment Agreement to be performed on or before the Completion Date and there having been delivered to each of the Investors a certificate of a duly authorized officer of each of the Company and the Guarantors to such effect (in form reasonably satisfactory to the Investors);
- (j) there shall have been delivered to each of the Investors certified copies of all consents and approvals required in relation to the issue of the Perpetual Convertible Securities, the giving of the Personal Guarantee, the Corporate Guarantee and the collateral (save as provided under the Investment Agreement that the Company shall procure the due registration of WFOE Pledge On Shenzhen Subsidiary with its commercially reasonable within 3 months after the Completion Date but in any event complete such registration within 4 months after the Completion Date);
- (k) there having been delivered to each of the Investors opinions in connection with the transaction contemplated in the Investment Agreement, in form and substance reasonably satisfactory to the Investors, dated the Completion Date of:
  - (i) legal advisers to the Company as to laws of the Cayman Islands;
  - (ii) legal advisers to Longtrade Genesis as to the BVI laws;
  - (iii) legal advisers to the Company and the Guarantors as to Hong Kong laws;
  - (iv) legal advisers to the Investors as to PRC law; and
  - (v) legal advisers to the Investors as to Hong Kong law,and such other necessary resolutions, consents, authorities and documents relating to the issue of the Securities, as any Investor may reasonably require;
- (l) there having been no redemption event under the Perpetual Convertible Securities and no redemption event under the Perpetual Convertible Securities would result from the proposed issue of the Perpetual Convertible Securities by the Company to the Investors;
- (m) the Company and the Guarantors shall have delivered to the Investors the completion deliverables pursuant to the Investment Agreement;
- (n) each Investor having performed all necessary external, internal and corporate approvals and checks under all applicable laws regarding the Transaction Documents and the Security Documents, including but not limited to its investment committee approval, anti-money laundering checks and know-your-client checks; and
- (o) each Investor having been reasonably satisfied with the results of its commercial, financial and legal due diligence on the Company, the Guarantors and any other members of the Group in its sole discretion.

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## LETTER FROM THE BOARD

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Any Investor may waive all or any of the above conditions precedent (except for the conditions precedent as set out in paragraphs (b) and (c) above) at any time before 31 October 2015 by notice in writing to the Company with respect to the Perpetual Convertible Securities to be subscribed by it pursuant to the Investment Agreement and may proceed to Completion in respect of such Perpetual Convertible Securities without Completion by the other Investor.

Completion in respect of the CTM Perpetual Convertible Securities and Completion in respect of the OGH Perpetual Convertible Securities are not inter-conditional.

### **Termination**

An Investor may, by notice to the Company given at any time prior to the Completion Date, terminate the Investment Agreement with the Company and the Guarantors (without affecting the rights and obligations of the other Investor under the Investment Agreement with the Company and the Guarantors) in any of the following circumstances:

- (a) if there shall have come to the notice of such Investor any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties or any failure to perform any of the Company's or the Guarantors' undertakings or agreements in the Investment Agreement;
- (b) if any of the conditions precedent has not been satisfied or waived by such Investor on or prior to 31 October 2015;
- (c) if, in the reasonable opinion of the Investor, there shall have been, since the date of the Investment Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the transaction contemplated in the Investment Agreement;
- (d) if, in the reasonable opinion of the Investor, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc and/or the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong or the United Kingdom; or (iii) a change or development involving a prospective change in taxation affecting the Company, the Guarantors, the Perpetual Convertible Securities or the transfer thereof; and

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## LETTER FROM THE BOARD

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- (e) if, in the reasonable opinion of the Investor, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the transaction contemplated in the Investment Agreement.

Upon a notice being given, the rights and obligations of the parties in relation to the relevant Investor under the Investment Agreement shall terminate and be of no further effect and the parties shall be under no liability in respect of the Investment Agreement in respect of such Investor, save and except that certain provisions of the Investment Agreement shall continue to apply.

### **Internal Rate of Return Payment**

Under the Investment Agreement, Mr. Shi undertakes that if an Investor fails to achieve an internal rate of return of 12% on the Third Anniversary in respect of the Perpetual Convertible Securities not purchased by Mr. Shi pursuant to the Put Option, Mr. Shi will pay such Investor an amount in order to make up an internal rate of return of 12% on such Perpetual Convertible Securities.

### **Covenants of the Company and the Guarantors**

Under the Investment Agreement, each of the Company and the Guarantors undertakes and covenants with the Investors that the Company shall procure the due registration of the WFOE Pledge On Shenzhen Subsidiary with its commercially reasonable endeavour within 3 months after the Completion Date but in any event complete such registration within 4 months after the Completion Date and deliver to the Investors a legal opinion as to the laws of PRC in relation to the legal, valid, binding and enforceable nature of the provisions of the WFOE Pledge On Shenzhen Subsidiary and the completion of the registration of the WFOE Pledge on Shenzhen Subsidiary, and the due incorporation, capacity and authority of Shenzhen Subsidiary within 7 business days after completion of the registration.

The Company undertakes and covenants with each Investor that the Company shall immediately after 12 months from the Completion Date deposit a sum equal to 6% of the principal amount of the Perpetual Convertible Securities of both the Investors in a bank account of the Company designated by the Investors for the purpose of providing fund proof for meeting the obligations of the Company under the Perpetual Convertible Securities Instrument.

The Company covenants with the Investors that the Subscription Amount received from the Investors pursuant to the Investment Agreement will be used as to (i) 80% for the purposes of payment of the consideration for the Acquisition; and (ii) 20% for general working capital of the Company.

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## LETTER FROM THE BOARD

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### The Perpetual Convertible Securities

#### *Principal terms and conditions of the Perpetual Convertible Securities*

Issuer	:	the Company
Guarantors	:	Mr. Shi and Longtrade Genesis
Guarantee	:	The Perpetual Convertible Securities are guaranteed by the Guarantors.

Principal amount of the CTM Perpetual Convertible Securities	Principal amount of the OGH Perpetual Convertible Securities
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HK\$70,000,000

HK\$100,000,000

Form and denomination	:	The Perpetual Convertible Securities will be issued in registered form in the denomination of HK\$1,000,000 each.
Issue Price	:	100% of the principal amount of the Perpetual Convertible Securities, payable by the Investors at Completion.
Maturity Date	:	There is no maturity date.
Distribution Rate	:	6%
Distributions	:	Subject to the Conditions relating to deferral of the Distribution (as defined below), the Perpetual Convertible Securities confer a right to receive distribution (“ <b>Distribution</b> ”) from the Issue Date at the Distribution Rate. Distributions shall be payable on the Perpetual Convertible Securities semi-annually (each payment date, a “ <b>Distribution Payment Date</b> ”).

If any Distribution is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Distribution Deferral	:	The Company may, at its sole discretion, elect to defer in whole or in part Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice of not more than 20 nor less than 10 business days prior to the relevant Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred. Any such deferred Distribution shall constitute “ <b>Arrears of Distribution</b> ”.
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## LETTER FROM THE BOARD

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The Company may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Company is not subject to any limits as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to the Conditions.

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Perpetual Convertible Securities at the Distribution Rate and the amount of such distribution (“**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise mutatis mutandis as provided in the Conditions. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distributions.

Restrictions in case of Distribution Deferral : If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Company shall not:

- (a) declare or pay any discretionary dividends or distributions or make any other payment, and will procure that no dividend, distribution or other payment is made, on any Parity Securities or Junior Securities of the Company; or
- (b) at its discretion repurchase, redeem or otherwise acquire for any consideration any Parity Securities or Early Redeemable Securities prior to its stated maturity or Junior Securities of the Company,

in each case, unless and until (i) the Company has satisfied in full all outstanding Arrears of Distribution and Additional Distribution Amount; or (ii) the Company is permitted to do so by all Holders.

Status of the Perpetual Convertible Securities : The Perpetual Convertible Securities constitute direct, guaranteed, secured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves.

The obligations of the Company under the Perpetual Convertible Securities are secured by security interest over the Collateral.

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## LETTER FROM THE BOARD

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- Conversion Right : Subject to the serving of a duly completed and executed conversion notice and the Condition that no fraction of Share will not be issued on conversion, a Holder has the right to convert its Perpetual Convertible Securities into Shares at any time after six months from the Issue Date, provided that the Holder may only convert such number of Perpetual Convertible Securities as would not cause the Company to not comply with the minimum public float requirement under the rules and regulations of the Stock Exchange, following the conversion.
- Initial Conversion Price : HK\$2.718 per Conversion Share, subject to adjustments including, among others, as a result of consolidation, subdivision, re-denomination or reclassification, capitalisation of profits or reserves, all distributions, rights issues or issue of options, warrants or other rights to subscribe for or purchase of the Shares, rights issues of securities (other than the Shares or options, warrants or other rights to subscribe for or purchase Shares), issues at a price which below the current market price of the Shares, modifications of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities, offers to the Shareholders. For the adjustment clauses relating to the Conversion Price of the Perpetual Convertible Securities, please refer to Appendix II to this circular.
- Conversion Shares : Based on the initial Conversion Price above, a maximum of 62,545,990 Conversion Shares will be issued upon the full conversion of the Perpetual Convertible Securities, representing approximately 3.43% of the issued share capital of the Company as at the Latest Practicable Date and approximately 3.32% of the issued share capital of the Company as enlarged by a full conversion of the Perpetual Convertible Securities (assuming no other Shares are issued).
- No fixed Redemption Date : The Perpetual Convertible Securities are perpetual securities in respect of which there is no fixed redemption date.
- Optional Redemption : The Company may at its 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 redeem either in whole or in part of the Perpetual Convertible Securities for the time being outstanding at the Optional Redemption Price together with all outstanding Distributions and the Distribution accrued to the date fixed for redemption.



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## LETTER FROM THE BOARD

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- Forced Redemption Event : Upon the occurrence of a sale, disposal or transfer by the Company of any of its Major Assets without the prior written approval of all of the Holders, a Holder serve a notice on the Company requiring the Company to redeem the outstanding Perpetual Convertible Securities held by such Holder at the Forced Redemption Price together with all outstanding Distributions and the Distribution accrued to the date fixed for redemption.
- Put Option : Mr. Shi will, at the option of any Holder, purchase all or part of their holding of the Perpetual Convertible Securities on the date of the Third Anniversary at the Put Repurchase Price.
- Forced Repurchase Event : Upon the occurrence of a Forced Repurchase Event, a Holder may serve a notice on the Company requiring Mr. Shi to purchase the outstanding Perpetual Convertible Securities held by such Holder at the Forced Repurchase Price together with all outstanding Distributions and the Distribution accrued to the date fixed for repurchase.

A “**Forced Repurchase Event**” means, among other things, any of the following events:

- (i) an occurrence of a Material Adverse Change of the Company;
- (ii) Mr. Shi ceases to hold, directly or indirectly, over 50 per cent. of the entire issued share capital of the Company;
- (iii) the Company fails to use its commercially reasonable endeavours to procure the due registration of the WFOE Pledge On Shenzhen Subsidiary within three months after the Issue Date and in any event fails to procure the due registration of the WFOE Pledge On Shenzhen Subsidiary within four months after the Issue Date;
- (iv) the Company fails to deposit an amount equivalent to six per cent. of the then outstanding principal amount of the Perpetual Convertible Securities on each anniversary date of the Issue Date into the Reserve Account;
- (v) the Company becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them;

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## LETTER FROM THE BOARD

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- (vi) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company;
- (vii) the insolvency of the Company;
- (viii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its principal operating subsidiaries;
- (ix) the listing of the Shares (as a class) on the Stock Exchange ceases;
- (x) the Company fails to meet the minimum public float requirement under the rules and regulations of the Stock Exchange;
- (xi) any of the Personal Guarantee or the Corporate Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any of the Guarantors;
- (xii) the Security is or becomes unenforceable or invalid or is not or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect or any security interest created pursuant to the Security Documents is not or fails to remain perfected and of first priority in favour of the Security Agent for the benefit of itself and the Holders;
- (xiii) breach of negative pledge with respect to the equity interest in Shenzhen Dongsheng Huamei Cultural Travel Company Limited (深圳東勝華美文化旅遊有限公司); or
- (xiv) the Acquisition fails to complete by 31 October 2015.

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## LETTER FROM THE BOARD

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- Undertakings : The Company undertakes and warrants, *inter alia*, that so long as there are any Perpetual Convertible Securities remain outstanding save with the approval of all Holders, (and, where applicable, shall procure that its subsidiaries shall), among other things:
- (a) it will obtain and maintain all necessary consents, licences, approvals, permits and authorisations required for the ownership and operation of its business and shall comply with the terms of such consents, licences, approvals, permits and authorisations in all material respects;
  - (b) it will use all reasonable endeavours: (i) to maintain a listing for all the issued Shares on the Stock Exchange; (ii) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Perpetual Convertible Securities on the Stock Exchange;
  - (c) it will comply in all material respects with all the rules, regulations and requirements of the Stock Exchange (including the listing rules) or an alternative stock exchange (if applicable); and
  - (d) it will reserve, free from any pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital, the full number of Shares liable to be issued on conversion of the Perpetual Convertible Securities from time to time and will ensure that all Shares will be duly and validly issued as fully-paid and free from any encumbrance.
- Transferability : The Perpetual Convertible Securities will be freely transferrable.
- Voting : The Holder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Holder.
- Listing : No application will be made for the listing of the Perpetual Convertible Securities on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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## LETTER FROM THE BOARD

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### **Forced Redemption Event and Major Assets of the Group**

As set out above, upon the occurrence of a sale, disposal or transfer by the Company of any of its Major Assets without the prior written approval of all of the Holders, a Holder serve a notice on the Company requiring the Company to redeem the outstanding Perpetual Convertible Securities held by such Holder. Under the Conditions, “Major Assets” refers to any assets relating to the travel-related business or health-care business of the Group which amounts to at least 20% of the total assets of the Group based on the Company’s latest published financial statements, and for the avoidance of doubt, does not include any available for sale financial assets of the Group.

As of the Latest Practicable Date, the Group has no substantial asset relating to the health-care business. However, as stated in the Company’s annual report 2014 issued on 22 April 2015, (i) the Company’s management has identified the health care market in China as a possible new focus of development; (ii) the Group intends to gradually tap into the business of health care services related to hospitals, treatments, rehabilitation and senior care through acquisition of a suitable target company to be identified, self development and/or business co-operation; and (iii) health-check and monitoring, health assessment and consultancy, and health improvement and protection operations may also be set up and launched should suitable opportunities arise. Going forward, the Group may acquire assets relating to health-care business.

### **Conversion Price**

The initial Conversion Price (being HK\$2.718 per Conversion Share) represents:

- (i) a discount of approximately 9.40% to the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 10.89% to the average of the closing prices of approximately HK\$3.05 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 15.06% to the average of the closing prices of approximately HK\$3.20 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 31.94% to the Share price as at the Latest Practicable Date; and
- (v) a premium of approximately 3,956.72% to the Company’s net asset value per Share as at 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

Upon full conversion of the Perpetual Convertible Securities at the initial Conversion Price, the Perpetual Convertible Securities will be convertible into 62,545,990 Shares, representing approximately 3.43% of the existing issued share capital of the Company and approximately 3.32% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Securities.

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## LETTER FROM THE BOARD

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The initial Conversion Price was determined after arm's length negotiation between the Company and the Investors with reference to the prevailing market price of the Shares. The Directors consider that the initial Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **Adjustments to the Conversion Price**

The Conditions relating the adjustments to the Conversion Price are set out in Appendix II to this circular. Pursuant to the Conditions, the Conversion Price will be subject to adjustments in the following events, among others:

- (1) *All Distribution*: If and whenever the Company shall pay or make any All Distribution to the Shareholders;
- (2) *Rights Issues of Other Securities*: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class, by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares); and
- (3) *Other Offers to Shareholders*: If and whenever there is an issue, sale or distribution by or on behalf of the Company or any subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any subsidiary of the Company or such other company, person or entity pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.

For details, please refer to items (c), (e) and (i) in Appendix II to this circular.

The Conditions relating the adjustments to the Conversion Price are a result of arm's length commercial negotiation, which are in line with typical terms for transactions of this nature. The Board considers that the decision as to whether to make any rights issues of other securities and other offers of securities to Shareholders are at the discretion of the Company, taking into account all relevant circumstances, including but not limited to the potential implications in relation to adjustment to the Conversion Price. As regards the adjustments to the Conversion Price in the event of any All Distribution, the Board considers that:

- under the Conditions, Holders are entitled to receive distribution at the Distribution Rate, which is part of the commercially agreed return to the Holders. Nonetheless, as the Perpetual Convertible Securities are in nature and are considered as equities under the applicable accounting principles, the Company considers that an adjustment in the event of All Distribution (which All Distribution the Holders would not be entitled to receive as the Holders may not hold any Shares) to be fair and reasonable; and

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## LETTER FROM THE BOARD

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- as disclosed in the Company's annual report 2014, the Company did not have any reserves available for distribution to the Shareholders as at 31 December 2014, calculated in accordance with the provision of Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) Cayman Islands, and in any event the decision as to whether or not to make any All Distribution is at the discretion of the Company and the Company will take into account all relevant circumstances, including but not limited to the potential implications in relation to adjustment to the Conversion Price, in making such decision.

Based on the above, the Board is of the view that the Conditions relating to the adjustments of the Conversion Price, including but not limited to adjustments in the case of All Distribution, rights issues of other securities and other offers of securities to Shareholders, are fair and reasonable.

### **The Security Documents**

Pursuant to the Investment Agreement, to secure the obligations of the Company under the Investment Agreement, the Instrument and the Perpetual Convertible Securities certificates, the Security Documents shall be executed in favour of the Security Agent as agent for and on behalf of the Investors on or before the Completion. The Security Documents creates certain security interest over the Collateral.

### **Put Option**

Under the Investment Agreement and the Personal Guarantee, Mr. Shi will, at the option of an Investor or a Holder, purchase all or some of that such Investor's Perpetual Convertible Securities on the Early Repurchase Date, at the Put Repurchase Price together with all outstanding Arrears of Distribution in respect of the relevant Perpetual Convertible Securities to be redeemed and the Distribution accrued to the Early Repurchase Date.

### **Forced Put Option**

Under the Investment Agreement and the Personal Guarantee, upon the occurrence of a Forced Repurchase Event, an Investor or a Holder may serve a notice on the Company requiring Mr. Shi to purchase the outstanding Perpetual Convertible Securities held by such Investor or Holder at the Forced Repurchase Price together with all outstanding Distributions and the Distribution accrued to the date fixed for repurchase.

### **TRANSFER OF SHARES**

Pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO, the Board announced that the Company was informed by Orient Victory Real Estate, the controlling shareholder of the Company, on 27 June 2015 that Orient Victory Real Estate entered into the SPAs with each of the Investors, pursuant to which Orient Victory Real Estate respectively agreed to off-the-market transfer 56,470,000 Shares to CTM at the consideration of HK\$1.51 per Share and transfer 87,275,000 Shares to OGH at the consideration of HK\$1.51 per Share respectively; and completion of the Transfer of Shares to CTM and Transfer of Shares to OGH took place on 29 June 2015.

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## LETTER FROM THE BOARD

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As at the date of the Latest Practicable Date, (a) Orient Victory Real Estate remained as the controlling shareholder of the Company and held 1,207,418,004 Shares, representing approximately 66.22% of the issued share capital of the Company, (b) CTM held 56,470,000 Shares, representing approximately 3.10% of the issued share capital of the Company, and (c) OGH held 87,275,000 Shares, representing approximately 4.78% of the issued share capital of the Company.

The Board does not expect the Transfer of Shares to CTM and Transfer of Shares to OGH to have any adverse or significant impact on the business operations of the Company.

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is a summary of the fundraising activities of the Company during the past 12 months immediately before the Latest Practicable Date.

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
7 July 2015	Proposed issue of the subscription Shares under a specific mandate (Note)	HK\$260,624,914	Payment of the consideration for the Acquisition and payment of costs and fees (such as legal and other professional fees) in respect of the Acquisition.	Not applicable

*Note:* The proposed issue of the subscription Shares under a specific mandate has not yet been completed as at the Latest Practicable Date.

Saved as disclosed, the Company has not raised fund on any issue of equity securities in the past 12 months immediately before the date of the Latest Practicable Date.

### MANDATE TO ISSUE THE CONVERSION SHARES

The issue and allotment of the Conversion Shares under a specific mandate of the Company are subject to the approval of the Independent Shareholders at the EGM.

### INFORMATION ON THE COMPANY

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.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE INVESTORS

#### CTM

CTM is a company incorporated under the laws of the BVI, which is indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

#### OGH

OGH is a company incorporated under the laws of the BVI, which is an indirectly wholly-owned subsidiary of China Huarong and principally engaged in investment business. With the approval of the State Council of PRC, China Huarong was established as a state-owned non-banking financial corporation in 2012 jointly by the Ministry of Finance and China Life Insurance (Group) Company. China Huarong is one of the largest four assets management companies in the PRC with total assets of over RMB600 billion by end of 2014.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the Latest Practicable Date, save that CTM and OGH held approximately 3.10% and approximately 4.78% of the issued Share Capital of the Company respectively, each of CTM and OGH and its respective ultimate beneficial owners are Independent Third Parties.



## LETTER FROM THE BOARD

### CHANGES TO SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF TRANSFER OF SHARES AND PROPOSED ISSUE OF CONVERSION SHARES

As at the Latest Practicable Date, the Company has 1,823,401,376 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; (ii) immediately following the full conversion of the Perpetual Convertible Securities (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares); and (iii) immediately following the exercise of the Put Option and full conversion of the Perpetual Convertible Securities by Mr. Shi (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares):

Shareholders	As at the Latest Practicable Date		Immediately following the full conversion of the Perpetual Convertible Securities		Immediately following the exercise of the Put Option and full conversion of the Perpetual Convertible Securities by Mr. Shi	
	No. of Shares	Approximately % of Shares in issue	No. of Shares	Approximately % of Shares in issue	No. of Shares	Approximately % of Shares in issue
Orient Victory Real Estate <sup>(Note 1)</sup>	1,207,418,004	66.22	1,207,418,004	64.02	1,207,418,004	64.02
Mr. Shi <sup>(Note 2)</sup>	–	–	–	–	62,545,990	3.32
Mr. Dong Xiaojie <sup>(Note 3)</sup>	300,000	0.017	300,000	0.0159	300,000	0.0159
Mr. Law Wang Chak, Waltery <sup>(Note 3)</sup>	70,000	0.004	70,000	0.0037	70,000	0.0037
CTM	56,470,000	3.10	82,224,231	4.36	56,470,000	2.99
OGH	87,275,000	4.78	124,066,759	6.58	87,275,000	4.63
Other public Shareholders	471,868,372	25.879	471,868,372	25.0204	471,868,372	25.0204
<b>Total</b>	<b>1,823,401,376</b>	<b>100%</b>	<b>1,885,947,366</b>	<b>100%</b>	<b>1,885,947,366</b>	<b>100%</b>

*Notes:*

- Orient Victory Real Estate is a company incorporated in the BVI and whose entire issued share capital/equity is beneficially owned by Mr. Shi.
- Upon the exercise of the Put Option and full conversion of the Perpetual Convertible Securities by Mr. Shi, Mr. Shi would be interested in 1,269,963,994 Shares including 1,207,418,004 Shares held by Orient Victory Real Estate, representing a total 67.34% of the entire issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares.
- Mr. Dong Xiaojie and Mr. Law Wang Chak Waltery are independent non-executive Directors.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT AND USE OF PROCEEDS FROM PROPOSED ISSUE OF THE PERPETUAL CONVERTIBLE SECURITIES

The gross proceeds from the issue of the Perpetual Convertible Securities are expected to be approximately HK\$170,000,000. After deducting related professional fees and all related expenses of about HK\$7,800,000, the net proceeds from the issue of the Perpetual Convertible Securities will amount to approximately HK\$162,200,000, representing a net price of approximately HK\$2.59 per Conversion Share.

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## LETTER FROM THE BOARD

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Reference is made to the VSA Announcement. As disclosed in the VSA Announcement, all or part of the consideration for the Acquisition may be financed by funds raised by issue of equity and/or debt securities, and/or borrowings from third parties. The Board considers to use approximately 80% of the net proceeds from the issue of the Perpetual Convertible Securities (approximately HK\$129,760,000) for the payment of the consideration for the Acquisition and approximately 20% of the net proceeds from the issue of the Perpetual Convertible Securities (approximately HK\$32,440,000) for payment of costs and fees (such as legal and other professional fees) in respect of the Acquisition.

The Board has considered various ways of raising funds and considers that the entering into of the Investment Agreement represents an opportunity for the Company to raise immediate capital for the Company and to broaden the Shareholder base and the capital base of the Company.

### RECOMMENDATION

In light of the above, the Board (including the Independent non-executive Directors) is of the opinion that the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors whose views and recommendations are set out in the section headed “Letter from the Independent Board Committee” of this circular) recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions approving the Investment Agreement and the transactions contemplated thereunder at the EGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on page 34 of this circular and the letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Investment Agreement and the transactions contemplated thereunder as set out on pages 35 to 55 of this circular.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee which comprises Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on the relevant resolutions in relation to the Investment Agreement and the transactions contemplated thereunder.

Nuada has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM to be held at Conference room 3-5, 10th Floor, United Conference Centre, United Centre, 95 Queensway, Hong Kong on Tuesday, 8 September 2015 at 11:00 a.m. is set out on pages 69 to 70 of this circular for the purpose of considering and if, thought fit, passing the relevant resolutions approving the Investment Agreement and the transactions contemplated thereunder by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share register in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in that event, your form of proxy will be deemed to have been revoked.

The vote of the Independent Shareholders in respect of the relevant resolutions at the EGM will be taken by way of poll.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Shi Baodong**  
*Chairman*



**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)**

21 August 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION – INVESTMENT AGREEMENT  
INVOLVING PROPOSED ISSUE OF PERPETUAL CONVERTIBLE  
SECURITIES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 21 August 2015 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Investment Agreement are fair and reasonable and whether the entering into of the Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Nuada has been appointed as the Independent Financial Adviser to advise us in this respect.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice to us on pages 35 to 55 of the Circular, we are of the opinion that the terms of the Investment Agreement are fair and reasonable and the entering into of the Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Investment Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Dong Xiaojie**

**He Qi**

**Law Wang Chak, Waltery**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 21 August 2015 prepared for the purpose of inclusion in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

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

21 August 2015

*To the Independent Board Committee  
and the Independent Shareholders of  
Orient Victory China Holdings Limited*

Dear Sirs,

### **PROPOSED ISSUE OF PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the issue of the Perpetual Convertible Securities, details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the Company’s circular dated 21 August 2015 (the “**Circular**”) to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 June 2015, the Company as issuer and Mr. Shi and Longtrade Genesis as guarantors have conditionally agreed to enter into the Investment Agreement with the Investors in relation to, among other things, the proposed issue of the Perpetual Convertible Securities under a specific mandate. Pursuant to the Investment Agreement, the Company has conditionally agreed to issue, and CTM and OGH have conditionally agreed to subscribe for, the CTM Perpetual Convertible Securities and the OGH Perpetual Convertible Securities, respectively.

Upon full conversion of the Perpetual Convertible Securities at the initial Conversion Price, the Perpetual Convertible Securities will be convertible into 62,545,990 Shares, representing approximately 3.43% of the existing issued share capital of the Company and approximately 3.32% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Securities.

Under the Investment Agreement and the Personal Guarantee, Mr. Shi will, at the option of an Investor as holder of Perpetual Convertible Securities or any Holder, purchase all or part of their holding of Perpetual Convertible Securities on the Third Anniversary at the Put Repurchase Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the Investment Agreement, Mr. Shi undertakes that if an Investor fails to achieve an internal rate of return of 12% on the Third Anniversary in respect of the Perpetual Convertible Securities not purchased by Mr. Shi pursuant to the Put Option, Mr. Shi will pay such Investor an amount in order to make up an internal rate of return of 12% on such Perpetual Convertible Securities.

Mr. Shi will also undertake in the Personal Guarantee that upon the occurrence of a Forced Repurchase Event, a Holder may serve a notice on Mr. Shi requiring Mr. Shi to purchase, and Mr. Shi shall purchase, the outstanding Perpetual Convertible Securities held by such Holder on the date of purchase at the Forced Repurchase Price.

According to the Letter, as at the Latest Practicable Date, Mr. Shi is an executive Director and holds a controlling interest in the Company and all of the issued share capital of Longtrade Genesis. Mr. Shi and Longtrade Genesis are therefore connected persons of the Company. According to Rule 14A.90 of the Listing Rules, financial assistance received by a listed issuer's group from a connected person is fully exempt if (i) it is conducted on normal commercial terms or better; and (ii) it is not secured by the assets of the listed issuer's group. As stated in the Letter, each of the guarantees provided by Mr. Shi and Longtrade Genesis under the Investment Agreement, the Personal Guarantee and the Corporate Guarantee will constitute financial assistance to be provided by a connected person for the benefit of the Company, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services, and which is exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the guarantees.

In the event that an Investor or a Holder exercises the Put Option or the Forced Put Option, Mr. Shi shall be required to purchase the relevant outstanding Perpetual Convertible Securities in accordance with the terms of the Investment Agreement. Accordingly, the entering into the Investment Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval at the EGM. As at the Latest Practicable Date, Orient Victory Real Estate (a company which is entirely owned by Mr. Shi), CTM and OGH held and were entitled to exercise the voting rights in respect of approximately 66.22%, approximately 3.10% and approximately 4.78% of the issued share capital of the Company, respectively. Orient Victory Real Estate, CTM and OGH and their respective associates will abstain from voting on the resolutions at the EGM.

The Company will convene the EGM at which a resolution will be proposed for the Independent Shareholders to approve the Investment Agreement and the transactions contemplated thereunder. As Mr. Shi has material interests in the Investment Agreement, Mr. Shi and his associates will abstain from voting on the resolutions to approve the Investment Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the issue of the Perpetual

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Convertible Securities are fair and reasonable and whether the issue of the Perpetual Convertible Securities are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Nuada Limited are independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the issue of the Perpetual Convertible Securities and we did not act as independent financial adviser to the Company's other transactions in the last two years.

Our role as the Independent Financial Adviser is to (i) give our independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the issue of the Perpetual Convertible Securities are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular 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 Circular, 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 Circular, 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 Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the issue of the Perpetual Convertible Securities. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Shares or any other securities of the Company.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the issue of the Perpetual Convertible Securities, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Company

As stated in the Letter and according to the management of the Company, as at the Latest Practicable Date, the Group is principally engaged in sales of air-tickets and other travel related services, trading and retail of jewellery products, and investment holding.

#### 2. Financial information of the Group

Set out below is a summary of the financial results of Group for the two years ended 31 December 2014 and 2013 as extracted from the Company's annual report for the year ended 31 December 2014 (the "Annual Report").

	For the year ended 31 December	
	2014	2013
	(Audited)	(Audited)
	(HK\$'000)	(HK\$'000)
Revenue	124,668	200,556
Gross profit	83,147	123,446
Profit for the year attributable to owners of the Company	1,029	21,812

According to the Annual Report, the revenue of the Company decreased from approximately HK\$200.6 million for the year ended 31 December 2013 ("FY2013") to approximately HK\$124.7 million for the year ended 31 December 2014 ("FY2014"). It represented a decrease of approximately 37.8% as compared to that of the FY2013. As stated in the Annual Report and according to the management of the Company, the decrease in revenue was mainly due to the disposal of the business regarding the sale of subsidiaries as stated in the Company's circular dated 12 August 2014 and the decrease in revenue of Company's corporate clients in Hong Kong. According to the management of the Company, as at 30 June 2015, the cash balance of the Group are approximately HK\$97 million. The profit for the year attributable to owners of the Company decreased from approximately HK\$21.8 million for FY2013 to approximately HK\$1.0 million for FY2014.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for the issue of the Perpetual Convertible Securities

After discussion with the management of the Company, we noted that it is the goal of the Company to broaden the revenue base of the Company and to maximize the returns for the Shareholders of the Company. According to the management of the Company and the Letter, we understand that approximately 80% of the net proceeds from the issue of the Perpetual Convertible Securities, i.e. HK\$129.8 million would be used for the partial payment for the consideration (total consideration is approximately HK\$554.8 million) for the acquisition of a renowned nation-wide travel services company in the PRC, named China Comfort Travel Group Limited\* (for identification purpose only) (中國康輝旅行社集團有限責任公司) (the “**Target Company**”) (the “**Acquisition**”) and please refer to the Company’s announcement dated 9 April 2015 (“**Acquisition Announcement**”) for details of the Acquisition and the balance, i.e. approximately HK\$32.4 million, would be used for payment of costs and fees (such as legal and other professional fees) in respect of the Acquisition. Please refer to our analysis regarding the use of proceeds from the issue of the Perpetual Convertible Securities under the section headed “4. The use of proceeds from the issue of the Perpetual Convertible Securities” below in this letter.

As stated in the Letter, the Company is seeking to issue of the Perpetual Convertible Securities to strengthen its capital base and provide sufficient capital to finance the Acquisition and as well as to strengthen its working capital. According to the management of the Company, instead of the issue of the Perpetual Convertible Securities, the Company also considered to use other alternative fund raising methods, including debt financing such as bank borrowing and equity financing such as placing of new Shares (please refer to the section headed “5. Other fund raising alternatives considered by the Group and the reasons for choosing the issue of the Perpetual Convertible Securities as funding method” below in this letter for detailed discussion) to raise funds to implement the above business strategies. However, the management of the Company is of the view that the ability of the Group to obtain bank borrowings/debt financing usually depends on the Group’s financial position (summary of the financial performance of the Group are stated in the section headed “2. Financial information of the Group” above in this letter) and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with banks.

The Board considers that it is prudent to finance the Group’s long-term growth by long-term financing. As there is no maturity date for the Perpetual Convertible Securities, the Board believes that the issue of the Perpetual Convertible Securities will enable the Group to strengthen its capital base and to enhance its financial position.

Given the reasons as stated above, we are of the view and concur of the view of the Directors that the issue of the Perpetual Convertible Securities is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. The use of proceeds from the issue of the Perpetual Convertible Securities

#### *Acquisition*

As stated in the Letter and according to the management of the Company, the gross proceeds from the issue of the Perpetual Convertible Securities are expected to be approximately HK\$170.0 million. After deducting related professional fees and all related expenses of about HK\$7.8 million, the net proceeds from the issue of the Perpetual Convertible Securities will amount to approximately HK\$162.0 million. According to the management of the Company and the Letter, we understand that approximately 80% of the net proceeds from the issue of the Perpetual Convertible Securities, i.e. HK\$129.8 million would be used for the partial payment for the consideration (total consideration is approximately HK\$554.8 million according to the Acquisition Agreement) for the Acquisition and the balance, i.e. approximately HK\$32.4 million, would be used for payment of costs and fees (such as legal and other professional fees) in respect of the Acquisition.

According to the Acquisition Announcement and management of the Company, we understand that the Directors believe that through the Acquisition, the Company can extend the scope of its travelling business in the PRC and that the Acquisition can strengthen and create synergies with the existing travel business of the Group for corporate clients as the Acquisition would provide an opportunity for the Company to enter into the massive PRC travel industry through its investment to the Target Company. The Company would also be able to leverage on the established nation-wide network and connections of the Target Company as well as its strong brand name of the Target Company to expand into the PRC tour and corporate travel service businesses.

As approximately 80% of the net proceeds from the issue of the Perpetual Convertible Securities, i.e. HK\$129.8 million would be used for the partial payment for the consideration (total consideration is approximately HK\$554.8 million) for the Acquisition and the Target Company is a travel services company in the PRC, we study the recent development of tourism industry in the PRC. According to the national data as stated in the website of National Bureau of Statistics of China, the number of travel in the PRC by PRC domestic citizens was approximately 3.6 billion times in 2014 with spending dollar amount of approximately RMB3,031.1 billion where that in 2009 was approximately 1.9 billion times and RMB1,018.3 billion respectively which represent an increase of approximately 89.5% and 197.6% respectively. The number of oversea travel by PRC domestic citizens was approximately 116.6 million times in 2014 with spending dollar amount of approximately US\$56.9 billion where that in 2009 was approximately 47.7 million times and US\$39.7 billion which represent an increase of approximately 144.4% and 43.3% respectively. Based on the above statistical information, we are of the view that the outlook of the tourism industry in the PRC is positive.

Based on (i) the positive outlook of tourism industry in the PRC as stated above; and (ii) most portion of the net proceeds from the issue of the Perpetual Convertible Securities is used for the payment of the consideration of the Acquisition, we are of the view and concur with the view of the management of the Company that the use of proceed from the issue of the Perpetual Convertible Securities is justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **5. Other fund raising alternatives considered by the Group and the reasons for choosing the issue of the Perpetual Convertible Securities as funding method**

According to the Letter and as discussed with the Directors, we note that the Board has considered other alternative means of fund raising before resolving to the issue of the Perpetual Convertible Securities including the followings:

#### ***(a) Bank borrowing***

According to the management of the Company, bank borrowing may subject to lengthy due diligence and negotiations with banks. In addition, the Company may need to raise money to repay the loan upon its maturity. Also, the Board considers that it is prudent to finance the Group's long term growth by long-term financing (there is no maturity date for the Perpetual Convertible Securities). According to the management of the Company, based on the unfavourable financial performance of the Company as stated in the section headed "2. Financial information of the Group" above, the management of the Company are of the view that it is not easy for the Company to obtain loan facilities from banks in Hong Kong. In addition, the Company enquired not less than three banks in Hong Kong in relation to providing loan facilities, however, none of the foresaid banks had feedback or interested in providing loan to the Company.

#### ***(b) Placing of new Shares and open offer/rights issue***

Placing of new Shares will cause immediately dilution to the shareholding of existing Shareholders. With respect to pro rata equity financing method such as open offer or rights issue, although the issue of Perpetual Convertible Securities has to publish circular to the Shareholders and subject to Shareholders approval (as open offer and rights issue generally need to do so if they will increase the issued share capital of the Company by more than 50%), the Directors consider that such pro rata equity financing would generally be more time-consuming as the Company have to (i) issue extra listing documents to the Shareholders; (ii) allow not less than 10 business days for the Shareholders to accept the open offer or rights issue; and (iii) issue the results announcement of the open offer or rights issue and despatch relevant share certificates to the Shareholders.

After considering (i) none of the banks enquired by the Company had feedback in relation to providing loan facilities to the Company; (ii) the unfavourable financial performance of the Company as stated in the section headed "2. Financial information of the Group" as stated above; (iii) any placing of new Shares will cause immediately dilution to the shareholding of existing Shareholders; and (iv) open offer or rights issue would generally be more time-consuming as stated above, we are of the view and concur with the view of the Directors that the issue of the Perpetual Convertible Securities is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Principal terms of Perpetual Convertible Securities

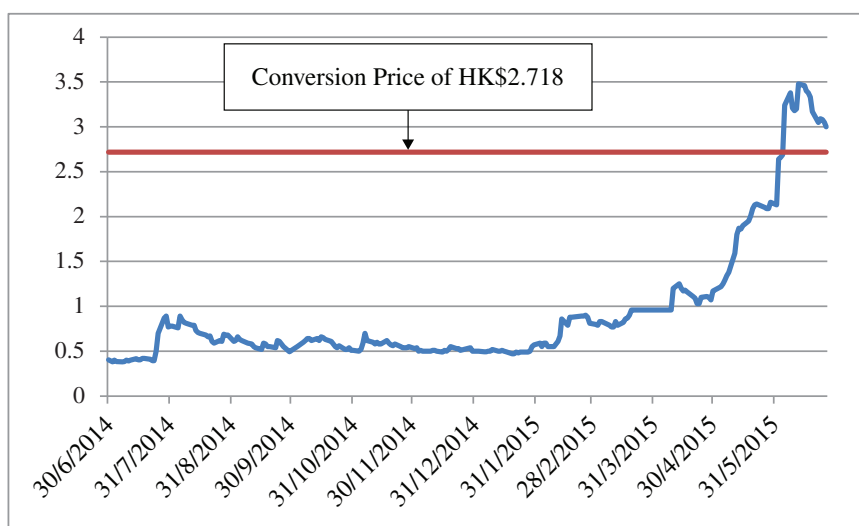
Pursuant to the Investment Agreement, the Company has agreed to issue, and the Investors has agreed to subscribe for, the Perpetual Convertible Securities in the principal amount of HK\$170,000,000 convertible into 62,545,990 Share at the initial Conversion Price of HK\$2.718 per Share (subject to adjustment).

Please refer to the paragraph headed “Principal terms and conditions of the Perpetual Convertible Securities” in the Letter for the detailed terms of the Perpetual Convertible Securities.

### 7. Historical Share price performance and comparison to other perpetual convertible securities

#### *Historical Share price performance*

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the daily closing price of the Shares (the “**Closing Prices**”) during the period from 28 June 2014 (being 12 months prior to the date of the Investment Agreement), up to the date of the Investment Agreement (the “**Review Period**”). We consider a period of twelve months is long enough to capture the recent price movements of the Shares so that a reasonable comparison between the Closing Prices and the Conversion Price can be conducted. Set out below is the Closing Prices as quoted from the Stock Exchange.



*Note:* 28 June 2014 and 29 June 2014 were Saturday and Sunday respectively. Thus, the Review Period starts from 30 June 2014.

*Source:* Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above chart, we note that the highest Closing Price and the lowest Closing Price is HK\$3.48 on 12 June 2015 and HK0.38 on 2 July 2014 and 7 July 2014 respectively. We noted that the Conversion Price of HK\$2.718 per Share is higher than most of the Closing Prices during the Review Period (230 trading days out of 246 trading days) and representing (i) a premium of approximately 615.3% over the lowest Closing Price and (ii) a discount of approximately 21.9% to the highest Closing Price.

With reference to the Annual Report, we noted that the audited figure of equity attributable to owners of the Company was approximately HK\$122,349,000 as at 31 December 2014 and the equity attributable to owners of the Company per Share was approximately HK\$0.067. The Conversion Price represents a premium of approximately 39.6 times over the aforesaid equity attributable to owners of the Company per Share.

### *Comparison to other perpetual convertible securities*

In order to assess the fairness and reasonableness of the Conversion Price, we, according to the search function of website of the Stock Exchange “HKExnews”, have reviewed all the proposed issue of perpetual convertible securities announced by companies listed on the Stock Exchange in the twelve months period ended prior to and up to the date of the Investment Agreement i.e. from 28 June 2014 to 27 June 2015 and identified an exhaustive list of 5 proposed issue of the perpetual convertible securities (the “**PCS Comparable(s)**”) initially announced during the aforesaid period. We consider that a review period of twelve months ended on the date of the Investment Agreement is appropriate to capture the recent market practice because the PCS Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the conversion price under other proposed issue of perpetual convertible securities as compared to the relevant prevailing market share prices under the recent market conditions and sentiments. However, given the differences between the listed issuer in the PCS Comparables and the Group in terms of business nature, financial performance, financial position as well as the reasons for the issue of the respective perpetual convertible securities of the listed issuers in the PCS Comparables and the respective funding requirements, we consider that the PCS Comparables might not constitute close and representative reference to the Perpetual Convertible Securities, but just a market general reference for the recent market practice in relation to the conversion price and rate of distribution/interest under other proposed issue of perpetual convertible securities as compared to the relevant prevailing market share prices.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details regarding the PCS Comparables are set out below.

No.	Comparable (stock code)	Date of announcement	Initial conversion price (per share)	Premium/ (Discount) of the conversion price over/ to the closing price on the last trading day (approximate %)	Initial distribution rate per annum (%)	Maturity	Optional deferral/Cancellation of distributions and relevant terms	Restriction on conversion	Redemption at the option of the company and relevant terms	The proposed use of proceeds as stated in the relevant announcement
1.	HSBC Holdings plc (5)	14 September 2014	US\$4.35578 (equivalent to approximately HK\$34.0 based on US\$1 to HK\$7.8)	(58.8)	6.375	No material date	Yes.  The company will have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date. In addition, the terms of the securities restrict the company from making interest payments in certain circumstances, including where the company would not be solvent at the time of such interest payment, in which case the interest payment will be deemed to have been cancelled.	Nil (note)	Yes.  The securities may be redeemed in whole (but not in part) at the option of the company 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 to (but excluding) the date of redemption.	For general corporate purposes and to further strengthen the company's capital base pursuant to requirements under relevant rules and regulations
2.	HSBC Holdings plc (5)	14 September 2014	US\$4.35578 (equivalent to approximately HK\$34.0 based on US\$1 to HK\$7.8)	(58.8)	5.625	No material date	Yes.  The terms are same as the above.	Nil (note)	Yes.  The terms are same as the above.	For general corporate purposes and to further strengthen the company's capital base pursuant to requirements under relevant rules and regulations
3.	HSBC Holdings plc (5)	24 March 2015	2.70 UK pound sterling (equivalent to approximately HK\$32.7 based on 1UK pound sterling to HK\$12.1)	(51.3)	6.375	No material date	Yes.  The terms are same as the above.	Nil (note)	Yes.  The terms are same as the above.	For general corporate purposes and to further strengthen the company's capital base pursuant to requirements under relevant rules and regulations

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Comparable (stock code)	Date of announcement	Initial conversion price (per share)	Premium/ (Discount) of the conversion price over/ to the closing price on the last trading day (approximate %)	Initial distribution rate per annum (%)	Maturity	Optional deferral/Cancellation of distributions and relevant terms	Restriction on conversion	Redemption at the option of the company and relevant terms	The proposed use of proceeds as stated in the relevant announcement
4.	Standard Chartered PLC (2888)	30 March 2015	US\$11.424 (equivalent to approximately HK\$89.1 based on 1US\$ to HK\$7.8)	(30.2)	6.50	No material date	Yes.  Interest on the securities is due and payable only at the sole and absolute discretion of the company, subject to certain additional restrictions. Accordingly, the company may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date. The company shall cancel any interest payment (or, as appropriate, part thereof) on the securities in respect of any interest payment date to the extent that the company has an amount of distributable items on such interest payment date that is less than the sum of (i) all payments (other than redemption payments which do not reduce distributable items) made or declared by the company since the end of the last financial year of the company and prior to such interest payment date on or in respect of any parity securities, the securities and any junior securities and (ii) all payments (other than redemption payments which do not reduce distributable items) payable by the company (and not cancelled or deemed cancelled) on such interest payment date (x) on the securities and (y) on or in respect of any parity securities or any junior securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the distributable items of the company.	Nil ( <i>note</i> )	Yes.  Subject to certain conditions, the company may, at its option, redeem the securities, in whole but not in part, on any reset date at 100% of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled) to (but excluding) the date fixed for redemption.	For the general business purposes of the group and to strengthen further the regulatory capital base of the group

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No.	Comparable (stock code)	Date of announcement	Initial conversion price (per share)	Premium/ (Discount) of the conversion price over/ to the closing price on the last trading day (approximate %)	Initial distribution rate per annum (%)	Maturity	Optional deferral/Cancellation of distributions and relevant terms	Restriction on conversion	Redemption at the option of the company and relevant terms	The proposed use of proceeds as stated in the relevant announcement
5.	Shui On Land Limited (272)	22 May 2015	HK\$3.228	20.0	7.50	No material date	Yes.	Nil (note)	Yes.	To repay existing indebtedness with near term maturities and the rest to fund the capital expenditures related to the group's real estate or equipment
							The company may, at its sole discretion, elect to defer a distribution which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date by giving notice of not more than ten nor less than five business days prior to the relevant distribution payment date, unless a compulsory distribution payment event has occurred. Any such deferred distribution shall constitute arrears of distribution. The company may, at its sole discretion, elect to further defer any arrears of distribution and is not subject to any limits as to the number of times distributions and arrears of distribution can be deferred. Each amount of arrears of distribution shall bear interest at the prevailing distribution rate.		The company may at its option, on giving not less than 30 nor more than 60 days' notice to the holders and the trustee in writing (which notice will be irrevocable), redeem all, but not some only, of the securities: (i) the first call date; or (ii) on any distribution payment date after the first call date. On expiry of any notice as required in the conditions, the company shall be bound to redeem the securities on the relevant call date 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.	
				(58.8)	7.50					
			Maximum	20.0	5.625					
			Minimum	(35.8)	6.475					
			Average							



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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No.	Comparable (stock code)	Date of announcement	Initial conversion price (per share)	Premium/ (Discount) of the conversion price over/ to the closing price on the last trading day (approximate %)	Initial distribution rate per annum (%)	Maturity	Optional deferral/Cancellation of distributions and relevant terms	Restriction on conversion	Redemption at the option of the company and relevant terms	The proposed use of proceeds as stated in the relevant announcement
	The Company			(9.4)	6.0	No material date	Yes	Yes	Yes	Please refer to section headed "4. The use of proceeds from the issue of the Perpetual Convertible Securities" above

*Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))*

*Note:* There is no clause regarding restriction on conversion rights in the relevant announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table of the PCS Comparables, the conversion price of the PCS Comparables are set at a range ranging from a discount of approximately 58.8% to a premium of approximately 20.0%, with an average discount of approximately 35.8%. The discount rate represented by the Conversion Price to the Last Trading Day is approximately 9.4% which is fall within the range of that of the PCS Comparables and below the average of that of the PCS Comparables.

The Distribution Rate is 6% per annum which is fall within the range of that of the PCS Comparables and below the average of that of the PCS Comparables.

As stated in the Letter and according to the management of the Company, the Conversion Price was determined after arm's length negotiation between the Company and the Investors with reference to the prevailing market price of the Shares.

Having considered that (i) the use of net proceeds from the issue of the Perpetual Convertible Securities is consistent with the Company's policy as stated in the section headed "3. Reasons for the issue of the Perpetual Convertible Securities" above; (ii) the Perpetual Convertible Securities is fair and reasonable when compare to other alternatives as stated in the section headed "5. Other fund raising alternatives considered by the Group and the reasons for choosing the issue of the Perpetual Convertible Securities as funding method" above; (iii) the Conversion Price of HK\$2.718 per Share is higher than most of the Closing Prices during the Review Period (230 trading days out of 246 trading days) as stated in the section headed "7. Historical Share price performance and comparison to other perpetual convertible securities" above; (iv) the Conversion Price represents a premium of approximately 39.6 times over the aforesaid equity attributable to owners of the Company per Share as stated in the section headed "7. Historical Share price performance and comparison to other perpetual convertible securities" above; and (v) the discount rate represented by the Conversion Price to the closing price of the Shares on the Last Trading Day of approximately 9.4% fall within the range of discounts of the PCS Comparables and below the average of that of the PCS Comparables as stated above, we are of the view and concur with the view of the management of the Company that the Conversion Price is fair and reasonable.

### **8. Other terms of the Perpetual Convertible Securities**

#### ***Distribution Rate***

The Perpetual Convertible Securities confer a right for the its holder to receive distribution from and including the date of issue of the Perpetual Convertible Securities at the Distribution Rate of 6% per annum.

The annual distribution of the maximum principal amount of the Perpetual Convertible Securities is approximately HK\$10.2 million per annum. According to the management of the Company, the cash balance of the cash as at 30 June 2015 was approximately HK\$97 million, whereas the Company would assign approximately HK\$10.2 million for the distribution of the Distribution Rate (therefore, there is no shortfall of cash for the distribution of the Distribution

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Rate in the coming future) and the rest of the cash balance would be used for the partial payment of the consideration for the Acquisition (according to the management of the Company, taking into account the internal resources available; the net proceeds from the issue of the Perpetual Convertible Securities; and the deposit paid for the Acquisition, the Company have to raise approximately HK\$10.2 million for the payment of the rest of the consideration of the Acquisition). Also, the management of the Company consider that the completion of the Acquisition would broaden the revenue base of the Company as stated in the section headed “4. The use of proceeds from the issue of the Perpetual Convertible Securities” above.

In addition, the issue of the Perpetual Convertible Securities is guaranteed by the Personal Guarantee to be executed by Mr. Shi and Corporate Guarantee to be executed by Longtrade Genesis respectively in favour of the Investors, which guarantee the obligations of the Company regarding the issue of the Perpetual Convertible Securities. Please refer to paragraph headed “Personal Guarantee, Corporate Guarantee and undertaking” below for further discussion.

With reference to the PCS Comparables, we noted that the Distribution Rate is within the range and below the average of that of the PCS Comparables.

Based on (i) that the Company has assigned HK\$10.2 million for the payment of the Distribution Rate; (ii) the broadened revenue base upon completion of the Acquisition; (iii) the Personal Guarantee and the Corporate Guarantee; and (iv) the Distribution Rate is within the range and below the average of that of the PCS Comparables, we are of the view that the Distribution Rate of 6% per annum is fair and reasonable.

### ***Maturity***

We note that the maturity of the Perpetual Convertible Securities is similar to that of the PCS Comparables with no maturity date. As discussed with the management of the Company, this term shall provide the Group with adequate time to consolidate and develop its tourism business in the PRC and there is no instant material cash outflow pressure on the Group.

### ***Optional Distribution Deferral***

The Company may at its sole discretion elect to defer a distribution (the “**Distribution**”) pursuant to the terms of the Perpetual Convertible Securities. As the Company may, at its sole discretion, have the right to defer payment of the Distribution with unrestricted number of times, we are of the view that this right gives more flexibility to the Company on the timing of payment.

Given that all of the PCS Comparables also had the right to defer/cancel the distributions in their respective terms of the perpetual subordinated convertible securities as stated in the paragraph headed “Comparison to other perpetual convertible securities” under the section headed “7. Historical Share price performance and comparison to other perpetual convertible securities” above, we therefore consider that such right is not uncommon and is normal commercial terms. Therefore, we are of the view that this right is in the interests of the Company and Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Restriction 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 it cause the Company to not comply with the minimum public float requirement under the rules and regulations of the Stock Exchange immediately following such conversion. Given the aforesaid restriction on conversion is to prevent the breach of the Listing Rules by the Company, we therefore consider that such restriction is justifiable.

### ***Redemption rights***

Since the Company has the option, but not obligation, to redeem in whole or in part of the principal amount of the Perpetual Convertible Securities after one year from the date of the Issue Date, therefore, 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 favourable to the Company. Given that vast majority of the PCS Comparables also had similar redemption rights and redemption rights can be exercised at any time after one year from the date of the Issue Date by the Company (Please refer to the paragraph headed “Comparison to other perpetual convertible securities” under the section headed “7. Historical Share price performance and comparison to other perpetual convertible securities” above for detailed information of the terms of redemption rights of PCS Comparables), such that no Conversion Shares will be converted from the Perpetual Convertible Securities and hence diluting public Shareholders’ shareholdings, therefore, we are of the view and concur with the view of the management of the Company that such right is normal commercial terms and fair and reasonable to the Company and Independent Shareholders as whole.

### ***Transferability***

As stated in the Letter, the Perpetual Convertible Securities will be freely transferrable. We are of the view and concur with the view of the Company that as this clause would not affect the loan amount and obligation of the Perpetual Convertible Securities, there is no effect to the Company upon the transfer of the Perpetual Convertible Securities.

### ***Voting rights***

As stated in the Letter, the Holder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Holder. We are of the view and concur with the view of the management of the Company that the aforesaid arrangement is fair to the Company as the Holder is not a Shareholder of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Collateral***

As stated in the Letter, the obligations of the Company under the Perpetual Convertible Securities are secured by security interest over the Collateral, i.e. the dollar amount of the distribution that would be deposited in the Reserve Account, the 100% shareholding interest in Donghui HK, and the 100% equity of Shenzhen Subsidiary. According to the management of the Company, Donghui HK and its subsidiaries (all are wholly-owned), including Shenzhen Subsidiary, have total net asset value of approximately RMB7.7 million as at 30 June 2015. Since the total net asset value of the Collateral is below the principal amount of the Perpetual Convertible Securities as stated above, we are of the view and concur with the view of the management of the Company, the arrangement of the Collateral is justifiable.

### ***Forced Redemption Event***

As stated in the Letter, upon the occurrence of a sale, disposal or transfer by the Company of any of its Major Assets without the prior written approval of all of the Holders, a Holder can serve a notice on the Company requiring the Company to redeem the outstanding Perpetual Convertible Securities held by such Holder at the Forced Redemption Price together with all outstanding Distributions and the Distribution accrued to the date fixed for redemption. We are of the view and concur with the view of the management of the Company that, since the occurrence of the sale of the Company's assets as stated above is under the control of the Company but not the other parties, therefore, the occurrence of the Forced Redemption Event is limited and controlled by the management of the Company.

### ***Put Option and Forced Repurchase Event***

Please refer to the paragraphs headed "Put Option" and "Forced Repurchased Event" under the section headed "The Perpetual Convertible Securities" in the Letter for detailed information of the Put Option and the Forced Repurchased Event. According to the Letter and the management of the Company, upon occurrence of the aforesaid two events (i.e. the exercise of the Put Option and Forced Repurchased Event), Mr. Shi will (i) purchase all or part of the outstanding of the Perpetual Convertible Securities at the option of any Holder (in case of exercise of the Put Option) and (ii) purchase the outstanding Perpetual Convertible Securities held by such Holder. We are of the view and concur of the view of the management of the Company that as (i) Mr. Shi would settled the dollar amount of the outstanding Perpetual Convertible Securities upon request of the Holders and (ii) the loan amount of the outstanding Perpetual Convertible Securities would not change upon the occurrence of the aforesaid two events, there is no effect to the Company upon occurrence of the aforesaid two events.

### ***Adjustment mechanism of the initial Conversion Price***

According to the management of the Company and as disclosed in the Letter, the Conditions relating the adjustments to the Conversion Price are a result of arm's length commercial negotiation, which are in line with typical terms for transactions of this nature. The Board considers that the decision as to whether to make any rights issues of other securities and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other offers of securities to Shareholders are at the discretion of the Company, taking into account all relevant circumstances, including but not limited to the potential implications in relation to adjustment to the Conversion Price. As regards the adjustments to the Conversion Price in the event of any All Distribution, the Board considers that:

- under the Conditions, Holders are entitled to receive distribution at the Distribution Rate, which is part of the commercially agreed return to the Holders. Nonetheless, as the Perpetual Convertible Securities are in nature and are considered as equities under the applicable accounting principles, the Company considers that an adjustment in the event of All Distribution (which All Distribution the Holders would not be entitled to receive as the Holders may not hold any Shares) to be fair and reasonable; and
- as disclosed in the Annual Report, the Company did not have any reserves available for distribution to the Shareholders as at 31 December 2014, calculated in accordance with the provision of Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) Cayman Islands, and in any event the decision as to whether or not to make any All Distribution is at the discretion of the Company and the Company will take into account all relevant circumstances, including but not limited to the potential implications in relation to adjustment to the Conversion Price, in making such decision.

According to the management of the Company, the purpose of adjustment mechanism of the initial Conversion Price as stated in the appendix II of this circular is to maintain the Holder the same proportion of the equity capital as such Holders was previously entitled due to the adjustment event as stated in the appendix II of this circular.

We have also reviewed the formula regarding the adjustment (the “**Adjustment**”) to the initial Conversion Price under All Distribution, rights issues of other securities and other offers to Shareholders (together the “**Adjustment Events**”) as set out in appendix II of this circular. According to the aforementioned formula, the Adjustment shall be made by multiplying the ratio of (i) the difference between the Current Market Price of one Share on the date on which such issue or grant is publicly announced and 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 Share; and (ii) the Current Market Price of one Share on the date on which such issue or grant is publicly announced. We consider that the Conversion Price would be reduced in proportion to the respective reduction in asset of the Company caused by the Adjustment Events. As such, we are of the view that the same proportion of the equity capital as such Holders was previously entitled due to the Adjustment Events can be maintained and the adjustment mechanism of the initial Conversion Price, particularly the Adjustment Events is fair and reasonable to the Shareholders.

### *Personal Guarantee, Corporate Guarantee and undertaking*

As stated in the Letter and according to the Investment Agreement, the issue of the Perpetual Convertible Securities is guaranteed by the Personal Guarantee to be executed by Mr. Shi and Corporate Guarantee to be executed by Longtrade Genesis respectively in favour of the Investors, which guarantee the obligations of the Company regarding the issue of the Perpetual Convertible Securities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the Investment Agreement and the Personal Guarantee, Mr. Shi will, at the option of an Investor or a Holder, purchase all or some of that such Investor's Perpetual Convertible Securities on the date of the Third Anniversary ("**Early Repurchase Date**"), at the Put Repurchase Price together with all outstanding Arrears of Distribution (as defined in the Letter) in respect of the relevant Perpetual Convertible Securities to be redeemed and the Distribution accrued to the Early Repurchase Date.

Under the Investment Agreement, Mr. Shi undertakes that if an Investor fails to achieve an internal rate of return of 12% on the Third Anniversary in respect of the Perpetual Convertible Securities not purchased by Mr. Shi pursuant to the Put Option, Mr. Shi will pay such Investor an amount in order to make up an internal rate of return of 12% on such Perpetual Convertible Securities.

Based on the above, Mr. Shi may have to purchase the Perpetual Convertible Securities given the above two situations.

Having considered that

- (i) the use of net proceeds from the issue of the Perpetual Convertible Securities is consistent with the Company's policy;
- (ii) the Perpetual Convertible Securities is fair and reasonable when compare to other alternatives as stated in the section headed "5. Other fund raising alternatives considered by the Group and the reasons for choosing the issue of the Perpetual Convertible Securities as funding method" as stated above;
- (iii) the Conversion Price of HK\$2.718 per Share is higher than most of the Closing Prices during the Review Period (230 trading days out of 246 trading days);
- (iv) the Conversion Price represents a premium of approximately 39.6 times over the aforesaid equity attributable to owners of the Company per Share;
- (v) the discount rate represented by the Conversion Price to the closing price of the Shares on the Last Trading Day of approximately 9.4% fall within the range of discounts of the PCS Comparables and below the average of that of the PCS Comparables;
- (vi) other terms of the Perpetual Convertible Securities are fair and justifiable as stated in the section headed "8. Other terms of the Perpetual Convertible Securities" above;
- (vii) Mr. Shi will, at the option of an Investor or a Holder, purchase all or some of that such Investor's Perpetual Convertible Securities on the Early Repurchase Date, at the Put Repurchase Price together with all outstanding Arrears of Distribution in respect of the relevant Perpetual Convertible Securities to be redeemed and the Distribution accrued to the Early Repurchase Date whereas the Company is not obligated to repay such amount to Mr. Shi; and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (viii) the Personal Guarantee and the Corporate Guarantee is not secured by the assets of the Company,

we are of the view and concur with the view of the management of the Company that the aforesaid undertaking by Mr. Shi is in the interests of the Company and the Shareholders as a whole.

### **9. Potential dilution effect on the interests of the Independent Shareholders**

Upon full conversion of the Perpetual Convertible Securities (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares from the Latest Practicable Date to the date of the EGM), the shareholding of the public Shareholders (exclude CTM and OGH) would decrease from approximately 25.9% as at Latest Practicable Date to approximately 25.0%, indicating a potential dilution effect of approximately 3.5%.

Taking into account that

- (i) the use of net proceeds from the issue of the Perpetual Convertible Securities is consistent with the Company's policy;
- (ii) the Perpetual Convertible Securities is fair and reasonable when compare to other alternatives as stated in the section headed "5. Other fund raising alternatives considered by the Group and the reasons for choosing the issue of the Perpetual Convertible Securities as funding method" as stated above;
- (iii) the Conversion Price of HK\$2.718 per Share is higher than most of the Closing Prices during the Review Period (230 trading days out of 246 trading days);
- (iv) the Conversion Price represents a premium of approximately 39.6 times over the aforesaid equity attributable to owners of the Company per Share;
- (v) the discount rate represented by the Conversion Price to the closing price of the Shares on the Last Trading Day of approximately 9.4% fall within the range of discounts of the PCS Comparables and below the average of that of the PCS Comparables;
- (vi) other terms of the Perpetual Convertible Securities are fair and justifiable as stated in the section headed "8. Other terms of the Perpetual Convertible Securities" above;
- (vii) Mr. Shi will, at the option of an Investor or a Holder, purchase all or some of that such Investor's Perpetual Convertible Securities on the Early Repurchase Date, at the Put Repurchase Price together with all outstanding Arrears of Distribution in respect of the relevant Perpetual Convertible Securities to be redeemed and the Distribution accrued to the Early Repurchase Date whereas the Company is not obligated to repay such amount to Mr. Shi;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(viii) the Personal Guarantee and the Corporate Guarantee is not secured by the assets of the Company; and

(ix) the dilution effect in shareholding of the existing public Shareholders is minimal,

we are of the view and concur with the view of the management of the Company that the dilution effect in shareholding of the existing public Shareholders is justifiable.

### RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we are of the view and concur with the view of the Board that the issue of the Perpetual Convertible Securities is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Investment Agreement.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**  
**Kevin Wong**  
*Vice President*

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in corporate finance industry.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) upon the exercise of the Conversion Rights attaching to the Perpetual Convertible Securities in full at the initial Conversion Price of HK\$2.718 per Conversion Share are as follows:

- (i) As at the Latest Practicable Date:

*Authorised:*

<u>4,000,000,000</u>	Shares	<u>HK\$100,000,000</u>
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*Issued and fully paid up or credited as fully paid up:*

<u>1,823,401,376</u>	Shares	<u>HK\$45,585,034.4</u>
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- (ii) Upon the exercise of the Conversion Rights attaching to the Perpetual Convertible Securities in full at the initial Conversion Price of HK\$2.718 per Conversion Share:

*Authorised:*

<u>4,000,000,000</u>	Shares	<u>HK\$100,000,000</u>
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*Issued and fully paid up or credited as fully paid up:*

1,823,401,376	Shares	HK\$45,585,034.4
62,545,990	Conversion Shares to be issued pursuant to the Investment Agreement	HK\$1,563,649.75
<u>1,885,947,366</u>	Shares	<u>HK\$47,148,684.15</u>

All of the Shares rank *pari passu* in all respects, including as to dividends, voting and capital.

When issued, the Conversion Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the Conversion Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Conversion Shares in their fully-paid form.

The Shares are, or to be, listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its financial year, being 31 December 2014 and there has been no increase in the issued share capital of the Company since 31 December 2014 and up to the Latest Practicable Date.

### 3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Shi Baodong	Interest in a controlled corporation ( <i>Note 1</i> )	1,207,418,004 (Long Position)	66.22%
Mr. Dong Xiaojie	Beneficial owner	300,000	0.017%
Mr. Law Wang Chak, Waltery	Beneficial owner	70,000	0.004%
Total		<u>1,207,788,004</u>	<u>66.241%</u>

*Note:*

- (1) As at the Latest Practicable Date, Mr. Shi Baodong held 100% equity interest in Orient Victory Real Estate Group Holdings Limited which in turn held 1,207,418,004 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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.

#### 4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) 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:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Orient Victory Real Estate Group Holdings Limited	Beneficial Interest (Note 1)	1,207,418,004	66.22%

*Note:*

- (1) As at the Latest Practicable Date, Mr. Shi, an executive Director, held 100% equity interest in Orient Victory Real Estate Group Holdings Limited.

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 of the Company) who had an interest or short position in the 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.

#### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which is not determinable by the relevant employing member of the Group within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Enlarged Group or have or may have any other conflicts of interest with the Enlarged Group pursuant to the Listing Rules.

**7. OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date,

- (a) none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

**8. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given its opinions or advice which are included in this circular:

<b>Name</b>	<b>Qualifications</b>
Nuada Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, Nuada Limited (i) did not have any shareholding, directly or indirectly, 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; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

**9. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

**10. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at 2603, 26/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Investment Agreement; and
- (b) this circular.

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## APPENDIX II      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 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 Share immediately after such alteration; and

B    is the nominal amount of one 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 Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, 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 Shares immediately before such issue; and

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

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**APPENDIX II                      ADJUSTMENTS TO THE CONVERSION PRICE OF  
THE PERPETUAL CONVERTIBLE SECURITIES**

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

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such 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 Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

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

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of 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 Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of 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 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 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:

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



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**APPENDIX II                      ADJUSTMENTS TO THE CONVERSION PRICE OF  
THE PERPETUAL CONVERTIBLE SECURITIES**

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where:

- A    is the Current Market Price of one 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 Share.

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 (i) any consolidation or subdivision of the Shares, (ii) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (iii) the modification of any rights to dividends of Shares or (iv) any change in the fiscal year of the Company.

- (d) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 90% of the Current Market Price per 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 Shares in issue immediately before such announcement;
- B    is the number of Shares which the aggregate amount (if any) payable for the 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 Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

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

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C    is the aggregate number of 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 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 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 Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class, by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire 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 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 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 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 Shares (other than Shares issued on the exercise of Conversion Rights or the Share Scheme Options (as defined below))(provided that such grant or issue of Share Scheme Options would result in the total number of 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 1% of the average number of issued and outstanding Shares during such 12-month period), or any other rights of conversion into, or exchange or subscription for, Shares) or the

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**APPENDIX II            ADJUSTMENTS TO THE CONVERSION PRICE OF  
THE PERPETUAL CONVERTIBLE SECURITIES**

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issue or grant of (otherwise than as mentioned in Condition (d) above) options, warrants or other rights to subscribe or purchase or otherwise acquire Shares in each case at a price per Share which is less than 90% of the Current Market Price on the date of 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 Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for such additional Shares to be issued or otherwise made available or, as the case may be, for such additional 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 Share; and
- C is the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional 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 Shares, mean such 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 Shares or, as the case may be, the Company 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 of the Company) any other company, person or entity shall issue any securities (other than the Perpetual Convertible Securities) which by

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**APPENDIX II                      ADJUSTMENTS TO THE CONVERSION PRICE OF  
THE PERPETUAL CONVERTIBLE SECURITIES**

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their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for or purchase of, or to otherwise acquire, Shares issued or to be issued by the Company or securities which by their terms may be re-designated Shares receivable upon conversion, exchange, subscription or re-designation at a consideration per Share which is less than 90% 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 Shares in issue immediately before such issue or grant;
- B    is the number of Shares which the aggregate consideration (if any) receivable by the Company for the 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 Shares would purchase at such Current Market Price per Share; and
- C    is the maximum number of 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 Shares to be issued or to arise or to be made available from any such re-designation.

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 Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90% 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:

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

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

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where:

- A    is the Current Market Price of one 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 Share basis on the date of such announcement and the consideration received for the modification on a per 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 Shareholders:* If and whenever there is an issue, sale or distribution by or on behalf of the Company or any subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any subsidiary of the Company or such other company, person or entity pursuant to which offer the 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 under Condition (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 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 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 Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such

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<b>APPENDIX II</b>	<b>ADJUSTMENTS TO THE CONVERSION PRICE OF THE PERPETUAL CONVERTIBLE SECURITIES</b>
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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 these Conditions 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 these Conditions (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 these Conditions 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 these Conditions as may be advised by an Independent Adviser, to be in their opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Company's equity caused by such events or circumstances.



**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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of **Orient Victory China Holdings Limited** (the “Company”) will be held at Conference room 3-5, 10th Floor, United Conference Centre, United Centre, 95 Queensway, Hong Kong on Tuesday, 8 September 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions as ordinary resolutions of the Company:

**“THAT**

- (a) the investment agreement dated 27 June 2015 (“**Investment Agreement**”) entered into between the Company as the issuer, Mr. Shi Baodong and Longtrade Genesis Limited as guarantors, and Chance Talent Management Limited (“**CTM**”) and Outstanding Global Holdings Limited (“**OGH**”) as investors, pursuant to which the Company has conditionally agreed to issue the perpetual convertible securities in an aggregate principal amount of HK\$70,000,000 to CTM (“**CTM Securities**”) and the perpetual convertible securities in an aggregate principal amount of HK\$100,000,000 to OGH (“**OGH Securities**”) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the CTM Securities and the OGH Securities in accordance with the terms and conditions of the Investment Agreement be and is hereby approved;
- (c) the allotment and issue of new ordinary shares of HK\$0.025 each in the share capital of the Company which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the CTM Securities and the OGH Securities in accordance with the terms and conditions of the Investment Agreement (“**Conversion Shares**”) be and is hereby approved;
- (d) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the Conversion Shares, the specific mandate to the directors of the Company (the “**Directors**”) to exercise the powers of the Company for the allotment and issue of the Conversion Shares (“**Specific Mandate**”) be and is hereby approved;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Investment Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the CTM Securities and the OGH Securities and the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the CTM Securities and the OGH Securities.”

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

Hong Kong, 21 August 2015

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if holding two or more shares) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's share registrar in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjourned meeting thereof should he/she so wish and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint Shareholder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.