
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares or the Service Agreements, 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 21 Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

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



21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

**(1) SUBSCRIPTION OF NEW SHARES;
(2) THE SERVICE AGREEMENTS —
CONTINUING CONNECTED TRANSACTIONS;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) CHANGE OF COMPANY NAME;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



REORIENT Financial Markets Limited

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 8 to 43 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 44 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 97 of this circular.

A notice convening the SGM to be held at Meeting Room (Soho 2), 6/F., Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 28 August 2015 at 10:30 a.m. is set out on pages 168 to 171 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* for identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	44
LETTER FROM SOMERLEY	45
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	98
APPENDIX II— GENERAL INFORMATION	156
NOTICE OF SPECIAL GENERAL MEETING	168

DEFINITIONS

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

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Amendment Agreement”	the amendment agreement entered into among the Company and the Subscribers dated 13 May 2015 to amend certain terms of the Subscription Agreement
“Announcement”	the announcement of the Company dated 13 May 2015 in connection with, among other things, the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday) on which licensed banks in Hong Kong are open for general banking business
“Bye-laws”	bye-laws of the Company as amended, supplemented or modified from time to time
“Change of Company Name”	the proposed change of the English name of the Company from “21 Holdings Limited” to “Huanxi Media Group Limited” and the adoption of a Chinese name “歡喜傳媒集團有限公司” for identification purpose
“Company”	21 Holdings Limited (stock code: 1003), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date falling on the third Business Day after all of conditions precedent set out in the section headed “Conditions of the Subscription” having been fulfilled (or, if applicable, waived), or any other date as agreed by the parties to the Subscription Agreement prior to Completion
“Concept Best”	Concept Best Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. So Chak Kwong

DEFINITIONS

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“core connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Dayunmony”	Dayunmony Investment Corporation, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Gao Zhikai
“Director Shareholder 1” or “Mr. Ning”	Mr. Ning Hao, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Director Shareholder 2” or “Mr. Xu”	Mr. Xu Zheng, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Director Shareholders”	the Director Shareholder 1 and the Director Shareholder 2
“Director Shareholders’ Productions”	films and programmes (including films, television drama series, online drama series and other television programmes) developed and directed by any of the Director Shareholders
“Director Subscriber 1”	the Director Shareholder 1 and Pacific Wits
“Director Subscriber 2”	the Director Shareholder 2 and Tairong
“Director Subscribers”	the Director Subscriber 1 and the Director Subscriber 2
“Director(s)”	director(s) of the Company
“Eternity”	Eternity Investment Limited (stock code: 764), the issued shares of which are listed on the Main Board of the Stock Exchange
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fee Shares”	30,000,000 new Shares to be allotted and issued credited as fully paid to RFML as consideration of the financial advisory services which have been and to be provided by RFML to the Company in respect of the Subscription
“Gold Shine”	Gold Shine Investment Company Limited (金耀投資有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Tse Yiu Lam

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising two independent non-executive Directors, namely Ms. Chio Chong Meng and Mr. Wong Tak Chuen, to advise the Independent Shareholders as to the fairness and reasonableness of the Whitewash Waiver, the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements and the transactions contemplated thereunder, and as to voting on such matters
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	(a) in respect of voting for the purposes of the Listing Rules, any Shareholders other than any Shareholder and its associates who has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder; and (b) in respect of voting for the purposes of the Takeovers Code, any Shareholders other than the Subscribers and parties acting in concert with the Subscribers and any other Shareholders who are interested or involved in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and/or the Whitewash Waiver
“Initial Service Period”	a term of six years from the Completion Date
“Last Trading Day”	14 April 2015, being the last trading day of the Shares immediately prior to the date of the Announcement
“Latest Practicable Date”	31 July 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

DEFINITIONS

“Long Stop Date”	1 September 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing)
“Mr. Dong”	Mr. Dong Ping, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Newwood”	Newwood Investments Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong
“Non-Director Shareholders’ Productions”	films and programmes (including films, television drama series, online drama series and other television programmes) which are not developed or directed by the Director Shareholders and the Director Shareholders are either producer, screenwriter, lead actor or other creative member
“Numerous Joy”	Numerous Joy Limited (多樂有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong
“Pacific Wits”	Pacific Wits Limited (泰穎有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Ning
“PRC”	the People’s Republic of China (which for the purpose of the Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Relevant Period”	the period commencing 14 October 2014, being the date falling 6 months before the date of the announcement of the Company dated 13 April 2015, up to and including the Latest Practicable Date
“REORIENT Group”	REORIENT Group Limited (stock code: 376), the issued shares of which are listed on the Main Board of the Stock Exchange
“RFML”	REORIENT Financial Markets Limited (瑞東金融市場有限公司), a company incorporated in Hong Kong with limited liability and ultimately wholly owned by REORIENT Group and a licensed corporation by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong, acting as financial adviser to the Company in respect of the Subscription

DEFINITIONS

“RGL”	REORIENT Global Limited (瑞東環球有限公司), a company incorporated in Hong Kong with limited liability and ultimately wholly owned by REORIENT Group
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement 1”	the service agreement entered into between the Company and the Director Shareholder 1 dated 14 April 2015 in respect of the provision of media production services to the Company by the Director Shareholder 1
“Service Agreement 2”	the service agreement entered into between the Company and the Director Shareholder 2 dated 14 April 2015 in respect of the provision of media production services to the Company by the Director Shareholder 2
“Service Agreements”	Service Agreement 1 and Service Agreement 2
“Service Period”	the Initial Service Period together with any extension as may be agreed between the Company and the Director Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Meeting Room (Soho 2), 6/F., Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 28 August 2015 at 10:30 a.m. for the Shareholders, or Independent Shareholders as the case may be, to consider and, if thought fit, approve, among others, the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps), the Whitewash Waiver and the Change of Company Name
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Agreement”	the shareholders agreement among Mr. Dong, Newwood and the Director Subscribers dated 14 April 2015 in respect of, among others, their respective rights and obligations with respect to the governance of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Newwood, Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL, or any one of them as the context may require
“Subscribers Agreement”	the subscribers agreement among Newwood, Pacific Wits, Tairong, Wise Dragon, Gold Shine and Dayunmony dated 14 April 2015 in respect of, among others, their respective rights and obligations in relation to facilitating the Completion
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into among the Company and the Subscribers dated 14 April 2015 in respect of the Subscription, as amended by the Amendment Agreement
“Subscription Price”	HK\$0.4 per Subscription Share
“Subscription Shares”	1,701,416,556 new Shares to be subscribed by the Subscribers and issued by the Company under the Subscription Agreement
“Tairong”	Tairong Holdings Limited (泰嶸控股有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Xu
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Transactions”	the transactions contemplated under the Subscription Agreement and the Service Agreements
“Voting Rights”	the voting rights in respect of the Shares held directly or indirectly by the Director Subscribers exercised pursuant to the directions of Mr. Dong, as described in the paragraph headed “Voting Rights”

DEFINITIONS

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all of the Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers which would otherwise arise as a result of Completion
“Wise Dragon”	Wise Dragon International Limited (騰龍國際有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Yeung Ning
“%”	percentage

LETTER FROM THE BOARD



21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

Executive Directors:

Lei Hong Wai (*Chairman*)

Ng Kai Man

Cheung Kwok Fan

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Independent Non-executive Directors:

Chio Chong Meng

Wong Tak Chuen

Man Kong Yui

*Head office and principal place of
business in Hong Kong:*

Unit 3811

Shun Tak Centre, West Tower

168–200 Connaught Road Central

Hong Kong

5 August 2015

To the Shareholders

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NEW SHARES;
(2) THE SERVICE AGREEMENTS —
CONTINUING CONNECTED TRANSACTIONS;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) CHANGE OF COMPANY NAME;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 April 2015 relating to its discussions with independent third parties in respect of a possible subscription of new Shares and the Announcement dated 13 May 2015, in which the Board announced that on 14 April 2015 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 1,701,416,556 Subscription Shares at an issue price of HK\$0.4 per Subscription Share, and that on 13 May 2015, the Company and the Subscribers entered into the Amendment Agreement to amend (i)

* for identification purpose only

LETTER FROM THE BOARD

the conditions precedent set forth in paragraphs (c), (d), (e), (g) and (h) under the section “Conditions of the Subscription” below; and (ii) the definition of the Completion Date, under the Subscription Agreement. All other terms of the Subscription Agreement remain the same.

The purpose of this circular is to give you, among other things, (i) information of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps), the Whitewash Waiver and the Change of Company Name; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps); (iv) the notice of the SGM; and (v) other information as required under the Listing Rules and/ or the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

Date : 14 April 2015 (after trading hours)

Issuer : The Company

Subscribers : (i) Newwood
(ii) Numerous Joy
(iii) Pacific Wits
(iv) Tairong
(v) Wise Dragon
(vi) Gold Shine
(vii) Dayunmony
(viii) Concept Best
(ix) RGL

As at the Latest Practicable Date, a company controlled by Mr. Lei Hong Wai (an executive Director and the Chairman of the Board) and Mr. Cheung Kwok Fan (an executive Director and the substantial Shareholder) was a substantial shareholder of Eternity. Eternity indirectly held 13,000,000 shares of REORIENT Group, representing approximately 2.85% of the issued share capital of REORIENT Group. RGL was a wholly-owned subsidiary of REORIENT Group. In addition, as at the Latest Practicable Date, an independent non-executive Director, Mr. Man Kong Yui, was interested in 200,000 shares in REORIENT Group. Save for the aforesaid, the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Please refer to the section headed “Information on the Subscribers” for more information on the Subscribers.

As at the Latest Practicable Date, REORIENT Group was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Eternity save for the shares of Eternity held by REORIENT Capital Markets Limited, being a wholly-owned subsidiary of REORIENT Group, on a non-discretionary basis on behalf of its clients.

LETTER FROM THE BOARD

The Subscription Shares

The total number of the Subscription Shares is 1,701,416,556, representing (i) approximately 294.8% of the existing issued share capital of the Company as at Latest Practicable Date; and (ii) approximately 73.7% of the issued share capital of the Company as at Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. The following sets out information as to the number of the Subscription Shares, the percentage of the Subscription Shares on the issued share capital of the Company as enlarged by the Subscription Shares with and without allotment and issue of the Fee Shares and the consideration with regard to the Subscription:

	Number of Subscription Shares	% of the Subscription Shares on the issued share capital of the Company as enlarged by the Subscription Shares	% of the Subscription Shares on the issued share capital of the Company as enlarged by the Subscription Shares and the Fee Shares	Consideration <i>HK\$ million</i>
Newwood	461,711,082	20.26%	20.00%	184.68
Numerous Joy	92,342,216	4.05%	4.00%	36.94
Pacific Wits	438,625,528	19.25%	19.00%	175.45
Tairong	438,625,528	19.25%	19.00%	175.45
Wise Dragon	69,256,662	3.04%	3.00%	27.70
Gold Shine	69,256,662	3.04%	3.00%	27.70
Dayunmony	46,171,108	2.03%	2.00%	18.47
Concept Best	46,171,108	2.03%	2.00%	18.47
RGL	39,256,662	1.72%	1.70%	15.70
	<u>1,701,416,556</u>	<u>74.67%</u>	<u>73.70%</u>	<u>680.56</u>

As at the date of the Subscription Agreement and up to the Latest Practicable Date, the Subscribers did not hold any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Subscription Price

The Subscription Price of HK\$0.4 per Subscription Share represents (i) a discount of approximately 79.17% to the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 67.97% to the average closing price of approximately HK\$1.249 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 88.13% to the closing

LETTER FROM THE BOARD

price of HK\$3.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iv) a discount of approximately 31.03% to the Group's audited consolidated net asset value per Share of approximately HK\$0.58 as at 31 December 2014.

The aggregate Subscription Price amounts to HK\$680,566,622.40. The aggregate nominal amount of the Subscription Shares is HK\$17,014,165.56.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account the prevailing market price of the Shares, the average trading volume of the Shares, the Group's audited consolidated net asset value per Share and the prospects of the Group's existing business, as well as the anticipated strategic value to be brought to the Company by the Subscribers, including certain services and rights to be provided by the Director Shareholders to the Company on an exclusive basis for the Service Period pursuant to the Service Agreements. Please refer to the section headed "The Service Agreements — Continuing Connected Transactions" below for further information about the Service Agreements.

Whilst the Subscription Price represents a substantial discount to the market price of the Shares preceding the date of the Subscription Agreement and as at the Latest Practicable Date and the Group's audited consolidated net asset value per Share as at 31 December 2014, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following reasons: (i) the business prospects and future plans of the Group as detailed in the section headed "Reasons for and Benefits of the Subscription and the Service Agreements and Use of Proceeds" in this letter from the Board; (ii) the Company will be able to obtain certain services and rights on an exclusive basis in respect of, among others, the Directors Shareholders' Productions and the Non-Director Shareholders' Productions under the Service Agreements. Mr. Ning and Mr. Xu have extensive experience, strong expertise and a wide business network in the media and entertainment industry. Their participation in the Company and services to be provided under the Service Agreements would be instrumental in the Company's development in the advertising, media and entertainment industry; (iii) the valuable insight, business contacts and networking capabilities and opportunities which Mr. So Chak Kwong, Mr. Gao Zhikai, Mr. Yeung Ning, Mr. Tse Yiu Lam and RGL may offer to the Group, details of which are set out in the section headed "Reasons for and Benefits of the Subscription and the Service Agreements and Use of Proceeds"; and (iv) the Group's net asset value is based on assets and liabilities, which might or might not correlate to the market value of the Shares which is highly influenced by, among others, supply and demand.

The Fee Shares

RFML is acting as financial adviser to the Company in respect of the Subscription. The Company has agreed to allot and issue 30,000,000 new Shares at HK\$0.4 each credited as fully paid to settle RFML's advisory fees in respect of the financial advisory services which it receives from RFML with regards to the Subscription. The Fee Shares represented approximately 5.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

LETTER FROM THE BOARD

In agreeing the terms of the financial advisory services provided by RFML, including, among others, the number of the Fee Shares, the issue price of the Fee Shares and the settlement method, the Company and RFML have considered the value perception of the Subscription (including the market value of the Shares at the time of negotiation and the anticipated value of the Shares after Completion), the resources committed and to be committed by RFML, the Subscription Price of HK\$0.4 per Subscription Share and the fact that Mr. Dong has been introduced by RFML to the Company in respect of the Subscription. In view of RFML's role in introducing Mr. Dong where RGL is also one of the Subscribers, the Company considers it appropriate and reasonable to allot and issue the Fee Shares at the same price as the Subscription Price of HK\$0.4 per Subscription Share. Further, the settlement of the financial advisory services fee by way of issuance of the Fee Shares in lieu of cash payment would reduce the cash outflow of the Group. The Company intends to settle the financial advisory services fee by cash if the Shareholders do not approve the allotment and issue of the Fee Shares. The Company has yet to determine and negotiate with RFML the cash amount in case the advisory services fee is to be settled by cash. The Company will negotiate with RFML if the Shareholders do not approve the allotment and issue of the Fee Shares.

As at the Latest Practicable Date, a company controlled by Mr. Lei Hong Wai (an executive Director and the Chairman of the Board) and Mr. Cheung Kwok Fan (an executive Director and the substantial Shareholder) was the substantial shareholder of Eternity. Eternity indirectly held 13,000,000 shares of REORIENT Group, representing approximately 2.85% of the issued share capital of REORIENT Group. RFML was a wholly-owned subsidiary of REORIENT Group. In addition, as at the Latest Practicable Date, an independent non-executive Director, Mr. Man Kong Yui, was interested in 200,000 shares in REORIENT Group. Save for the aforesaid, RFML and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The aggregate nominal amount of the Fee Shares is HK\$300,000.

Mandate, Ranking and Listing Application for the issue of the Subscription Shares and the Fee Shares

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the SGM.

The Subscription Shares and the Fee Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares and the Fee Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Fee Shares.

LETTER FROM THE BOARD

Conditions of the Subscription

The Subscription is conditional upon satisfaction (or, if applicable, waiver) of the following conditions:

- (a) the passing of all necessary resolutions by the Shareholders (other than those who are required by the Listing Rules and the Takeovers Code to abstain from voting) in general meeting of the Company approving the terms and conditions of the Subscription Agreement and transactions contemplated thereunder, including:
 - (i) the allotment and issue of the Subscription Shares; and
 - (ii) the Service Agreements and the transactions contemplated thereunder;
- (b) the Company having obtained approval of its Independent Shareholders in general meeting for the Whitewash Waiver by way of poll;
- (c) from the date of the Subscription Agreement (or such other period as the Subscribers may agree), the Shares continuing to be listed and traded on the Stock Exchange (except for temporary suspension of trading pending the issue of an announcement or a circular in connection with the Subscription Agreement and the transactions contemplated thereunder) and neither the Stock Exchange nor the SFC having indicated at any time that it will or may revoke or object the listing of the issued Shares on the Stock Exchange;
- (d) the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares and such approval not having been withdrawn, and any necessary conditions, if any, attached to such approval having been fulfilled prior to the Long Stop Date;
- (e) the Executive having granted the Whitewash Waiver to the Subscribers (and such grant not having been withdrawn), and any necessary conditions, if any, attached to the Whitewash Waiver having been fulfilled prior to the Long Stop Date;
- (f) all necessary authorisations, consents, approvals and exemptions required for the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder in accordance with all applicable laws or any contractual relationship having been obtained;
- (g) from the date of the Subscription Agreement, the warranties given by the Subscribers under the Subscription Agreement remaining true, accurate and not misleading in all material respects and that no facts and circumstances occur which may result in such warranties having been violated; and
- (h) from the date of the Subscription Agreement, the warranties given by the Company under the Subscription Agreement remaining true, accurate and not misleading in all material respects and that no facts and circumstances occur which may result in such warranties having been violated.

LETTER FROM THE BOARD

The Subscribers may in their absolute discretion waive the conditions precedent set out in paragraphs (c) and (h) at any time in writing. The Company may in its absolute discretion waive the condition precedent set out in paragraph (g) at any time in writing. Other conditions precedent are not waivable.

If any of the conditions precedent have not been fulfilled, satisfied or, if applicable, waived on or before the Long Stop Date, none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save as to any antecedent breach of the Subscription Agreement. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Completion

Completion shall take place after all the conditions precedent of the Subscription Agreement have been fulfilled or waived (as applicable). At Completion, the Subscribers shall subscribe for, and the Company shall allot and issue to the Subscribers, the Subscription Shares. On the Completion Date, among other things, the Subscribers shall effect payment of the aggregate Subscription Price in full and the Company shall allot and issue the Subscription Shares to the Subscribers.

Upon Completion, each of Mr. Lei Hong Wai, Mr. Cheung Kwok Fan, Ms. Chio Chong Meng, Mr. Wong Tak Chuen and Mr. Man Kong Yui shall resign as a Director and the Subscribers shall be entitled to nominate any person to the Board for approval to be appointed as Director pursuant to the terms of the Subscription Agreement. The Company will make further announcement in compliance with Rule 13.51(2) of the Listing Rules upon any appointment of a Director.

The appointment of a Director is subject to compliance with the Takeovers Code, the Listing Rules (including the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14), the Bye-laws and applicable laws and regulations. Pursuant to bye-law 102(B) of the Bye-laws, the Board has power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Directors so appointed at any time shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Therefore, no Shareholder's approval is required for any appointment of a Director under bye-law 102(B) of the Bye-laws. The Company will take into account a number of factors including directors' fiduciary duties when considering any appointment to the Board.

LETTER FROM THE BOARD

THE SERVICE AGREEMENTS — CONTINUING CONNECTED TRANSACTIONS

On 14 April 2015 (after trading hours), the Company entered into the Service Agreement 1 with Director Shareholder 1 and the Service Agreement 2 with Director Shareholder 2. Pursuant to the Service Agreements, the Director Shareholders have agreed to provide certain services and rights to the Company on an exclusive basis for the Service Period, in particular:

- (a) the Company shall have exclusive investment and production rights to any Director Shareholders' Productions, i.e. the Company shall be the sole investor to such productions;
- (b) the Company shall have priority distribution rights (including cinema screenings, audio-visual products, television broadcasting and network dissemination etc.) to the Director Shareholders' Productions in the PRC, Hong Kong, Taiwan and Macau Special Administrative Region of the PRC;
- (c) each of the Director Shareholders shall direct one to two films (being films that shall be publicly released) every three years in respect of which the Company shall have the exclusive investment and production rights, and the priority distribution rights set out in paragraphs (a) and (b) above. For the avoidance of doubt, the Company shall not have such rights in any Director Shareholders' Productions in which the Company decides not to invest;
- (d) the Director Shareholders shall use their best endeavours to provide the Company with the priority investment, production and distribution rights for the Non-Director Shareholders' Productions; and
- (e) the Director Shareholders shall actively participate in the promotional activities of other films and programmes invested or produced by the Company according to the requirements of the Company.

The Subscribers intend to nominate, among others, Mr. Dong and the Director Shareholders to the Board for approval to be appointed as Directors under the terms of the Subscription Agreement. Further information about Mr. Dong and the Director Shareholders has been set out in the section headed "Information on the Subscribers".

Director Shareholders' Proposal

During the Service Period, each Director Shareholder shall, with respect to each proposed Director Shareholders' Production, submit to the Company a written proposal, which contents shall include such production's (i) plot or storyline, (ii) total budget and the basis for determining the same, (iii) production and distribution budget, (iv) production plan and timeline, and (v) the proposed screenwriter, producer and casting for such production.

The Board or a designated board committee shall, within 30 Business Days of receiving the foregoing written proposal, consider and discuss such proposal with respect to its investment, production and distribution, and shall also make a determination as to whether the Company will invest in such proposed Director Shareholders' Production.

LETTER FROM THE BOARD

During such 30 business-day-period, the Company may, at any time, request that the Director Shareholders provide further information with respect to their proposal, or discuss with the relevant Director Shareholder any proposed amendments to the proposal. The Company shall have the right, subject to the requirements of the then existing circumstances, request that the 30 business-day-period be extended for not more than another 30 Business Days in order to provide the Company with sufficient time to consider whether to invest in the relevant Director Shareholders' Production.

If the Board or its designated board committee decides to invest in such proposed Director Shareholders' Production, the Company shall use commercially reasonable efforts to provide sufficient financial and other support for the filming and production of the relevant Director Shareholders Production. At the same time, the Group shall use commercially reasonable efforts to apply for and obtain all relevant governmental approvals and licences in all jurisdictions to facilitate the financing, preparation, filming, reviewing, screening and distribution etc. of the relevant Director Shareholders' Production.

If the Board or its designated board committee decides not to invest in the proposed Director Shareholders' Production, or fails to respond within the prescribed 30 business-day-period with respect to their decision and fails to extend the prescribed 30 business-day-period, the Company shall be deemed to have waived its right to invest in the proposed Director Shareholders' Production, and the relevant Director Shareholder shall have the right to seek other investors for the relevant Director Shareholders' Production, on the condition that the relevant Director Shareholder comply with his obligations under the Service Agreement, and the information provided by such Director Shareholder to any other potential third party investors should not be of a higher quality and clarity as those provided by such Director Shareholder to the Company.

Service fees

No service fee shall be payable by the Company to the Director Shareholders in consideration of entering into the Service Agreements or the transactions contemplated thereunder, subject to the Director Shareholders' rights to the following benefits and rewards:

- (a) each of the Director Shareholders shall be entitled to receive film director fees or creative member fees in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in with reference to the prevailing market rates for similar productions, subject to a maximum amount of HK\$30 million per annum; and
- (b) the Director Shareholders shall be entitled to receive dividends in respect of any Shares held by them, if any, to be declared by the Company.

When determining the film director fees or creative member fees payable to the Director Shareholders in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in, the Company expects to take into account (i) the projected cost of the relevant production, (ii) the lead actors or actresses who will participate in the relevant production, (iii) the projected length of film shooting of the relevant production, (iv) the genre of the relevant production, (v) the estimated box office and

LETTER FROM THE BOARD

popularity of the relevant production, (vi) the plot of the film, (vii) whether undertaking such a production could lead to other investment opportunities for the Company, such as exposure to and contact with other reputable and renowned players in the industry (including actors, actresses, screenwriters, directors, costume designers, film editors, makeup artists, visual effect and sound editors and other relevant personnel of the production team) and (viii) any other fair and reasonable considerations which the Board and the Director Shareholders may take into account at the time of consideration of the relevant production.

The Company is of the view that the foregoing considerations would allow the Company to compare the relevant film director fees or creative member fees payable to the Director Shareholders with the prevailing market rates payable to independent third party film directors who are of similar background and caliber as the Director Shareholders and who produce productions similar to the Director Shareholders' Productions and the Non-Director Shareholders' Productions. To determine such prevailing market rates, the Board or the designated board committee will undertake the following processes and procedures:

- draw from the experience of the Director Shareholders, in particular, the extensive experience of Mr. Dong, in the film industry to determine the customary market rates payable to similar film directors producing similar productions;
- research similar productions which have been released recently and obtain any relevant information (including through contacting the production company of such films and utilising the connections of the Director Shareholders or other personnel with relevant skills and expertise who the Company may employ following Completion, and any other appropriate means) on the budget of such productions, including the revenues, expenditures and film directors fee paid with respect to those productions;
- review any prior investment opportunities in relation to production proposals from independent third party producers and film directors received by the Company and compare the proposed budget of such production proposals with the budget proposed by the Director Shareholders, including comparing the film directors fee set forth in the budgets; and
- if the Board or the designated board committee deems necessary, engage independent research agencies to assist in assessing the appropriate range with respect to market rates payable to similar film directors for similar productions.

This will ensure that the relevant film director fees payable by the Company to the Director Shareholders would be comparable to and/or not less favourable than those offered by comparable film directors.

The relevant Director Shareholder will abstain from voting at the relevant board meeting to consider whether the Company will invest in the proposed Director Shareholder's Productions.

LETTER FROM THE BOARD

Proposed annual caps

With reference to the prevailing market rates payable to independent third party film directors who are of similar calibre, status, standing and reputation and who have similar track records of successful and profitable movies and other media productions, the executive Directors estimate that the fee payable to each of the Director Shareholders for each production will be approximately HK\$25 million to HK\$30 million. The Company and the Director Shareholders shall engage in detailed discussions regarding concrete plans (including number of production to be made, budget and timetable of each production) of their productions in the coming years shortly after Completion. Uncertainties exist with respect to, among other things, the nature and expected length of shooting the relevant production to be made by the Director Shareholders. Moreover, the progress in making a production may be affected by unexpected events. Given film productions and/or other media productions are part of the Company's new business, and in view of the uncertainties existing regarding the Director Shareholders' productions as described above, the Company proposes to set annual caps for the film director fees or creative member fees payable to the Director Shareholders under the Service Agreements of HK\$30 million for each Director Shareholder for each of the years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020.

The Directors (including the Independent Board Committee, after considering the advice of the Independent Financial Adviser) are of the view that the proposed annual caps above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-Compete

During the Service Period, save for the activities and transactions contemplated under the Service Agreements, unless with the written consent of the Company, the Director Shareholders shall not, directly or indirectly entrust or authorise any third party to undertake any of the following activities:

- (a) directly or indirectly (regardless of whether acting in the capacity of a shareholder, director, employee, partner, consultant or agent) undertake or participate or benefit from any business which is the same as, similar or competes with the business of the Company, including providing any services that are the same as or similar to the services to be provided under the Service Agreements;
- (b) seizing any business opportunity of the Company or soliciting any clients or potential clients of the Company, or interfere or damage any relationship or contracts between the Company and any clients or potential clients of the Company; or
- (c) assist or support any third person to undertake the activities set forth in paragraphs (a) and (b) above.

LETTER FROM THE BOARD

Notwithstanding the above non-compete obligations of the Director Shareholders, the Director Shareholders shall, through companies controlled by them, have the right to:

- (a) contract to produce the Director Shareholders' Productions which the Company invests in;
- (b) operate the Non-Director Shareholders' Productions;
- (c) operate the Director Shareholders' Productions that the Company does not invest in;
- (d) operate projects that have already commenced operations by the companies controlled by the Director Shareholders as at the date of the Service Agreements,

in each case, subject to compliance with any applicable connected transaction requirements under Chapter 14A of the Listing Rules.

The Board would consider to allow the Director Shareholders to engage in the activities mentioned in this section if, (a) the Director Shareholders have completed their obligations under their respective Service Agreements, and/or (b) in the view of the Board, the productions which the Director Shareholders wish to undertake would not be profitable or would otherwise not be suitable for the Company to undertake in light of the strategic direction of the Company, taking into account the factors such as (i) the projected cost of the relevant production; (ii) the lead actors or actresses who will participate in the relevant production; (iii) the projected length of film shooting of the relevant production; (iv) the estimated box office and popularity of the relevant production; (v) the genre of the film; (vi) the plot of the film; (vii) whether undertaking such a production could lead to other investment opportunities for the Company, such as exposure to and contact with other reputable and renowned players in the industry (including actors, actresses, screenwriters, directors, costume designers, film editors, makeup artists, visual effect and sound editors and other relevant personnel of the production team); and (viii) any other fair and reasonable considerations which the Board may take into account at the time of consideration of the relevant production.

The relevant Director Shareholder will abstain from voting at the relevant board meeting considering whether they may engage in the activities described in this section headed "Non-Compete".

The term "controlled" used in this section means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether through ownership of voting securities, by contract or otherwise.

LETTER FROM THE BOARD

Term and Termination

The Service Agreements shall become effective upon Completion for the Initial Service Period. Starting from 12 months before the expiry of the Initial Service Period and ending 6 months before the expiry of the Initial Service Period, the Director Shareholders shall provide the Company with the right of first negotiation in relation to the extension of the Initial Service Period for a further term of six years; provided that, the Service Agreements shall be subject to Independent Shareholders' approval to renew the Service Agreements every three years in accordance with the requirements of Chapter 14A of the Listing Rules in relation to continuing connected transactions (unless the necessary waiver from compliance with such requirements is obtained by the Company).

The Service Agreements shall automatically terminate upon the occurrence of the following events:

- (a) the expiry of the Initial Service Period (and the Company determines not to extend the service period of the Service Agreements);
- (b) the expiry of the extension to the Initial Service Period; or
- (c) at any time prior to the expiry of the Initial Service Period or any extension thereof, if the Company fails to obtain the necessary approval of the Independent Shareholders as required by Chapter 14A of the Listing Rules in relation to continuing connected transactions (unless the necessary waiver from compliance with such requirements is obtained by the Company).

In the event of termination of the Service Agreements, the Service Agreements shall be of no further force and effect, save as to any antecedent breach of the Service Agreements. Notwithstanding the foregoing, the Company's priority investment, production and distribution rights with respect to the Director Shareholders' Productions, and the non-compete obligations of the Director Shareholders shall continue to be of full force and effect until the expiry of the Initial Service Period and any extension thereof.

The Service Agreements will only take effect upon Completion, which are subject to a number of conditions as set forth in the paragraph headed "Conditions of the Subscription" above. As such, the Service Agreements and the transactions contemplated thereunder may or may not proceed.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE SERVICE AGREEMENTS AND USE OF PROCEEDS

The Group is currently principally engaged in the provision of property agency and related services, securities trading and investment and advertising agency business.

As set out in the annual report of the Company for the year ended 31 December 2014, the property agency segment in Hong Kong reported a revenue increase of approximately 115.2% for the year ended 31 December 2014 as compared with the year ended 31 December 2013, due to higher commissions that had to be paid to property agents, together with incentives and rebates to buyers, the Group's property agency business in Hong Kong suffered operating losses (before impairment losses on goodwill) of approximately HK\$1.9 million and HK\$2.8 million respectively for the 2013 and 2014 financial years. With respect to the Group's property agency business in the PRC, the Group has re-sized that business in the face of a slow-down in the PRC property market. As a result of those actions, the Group's operating losses (before amortisation of intangible assets and impairment losses on intangible assets) in the property agency segment in the PRC, which amounted to approximately HK\$5.7 million in the 2013 financial year, were reduced to approximately HK\$1.9 million for the year ended 31 December 2014.

As for the mortgage financing business which the Directors had recently considered, given the possible interest rate increases in the United States, further tightening measures launched by the Hong Kong government in relation to the provision of mortgage financing and an expected correction in home prices (especially in the small to medium-sized home segment), the Directors now foresee higher mortgage-default risks on second-mortgage loans. As such, the Directors have decided to adopt a wait-and-see approach in 2015 with respect to commencing this line of business.

Given the performance of the property agency segment of the Group has been adversely affected by the Hong Kong Government's demand curb measures in recent years, the Directors have been exploring possible strategies to stabilise and maintain the Group's property agency business, as well as suitable investment or business projects to diversify the business of the Group. The Directors considered that such diversification and broadening of the Group's income source would help reduce fluctuations in the financial results of the Group resulting from the cyclical nature of the property market. The acquisition of an advertising agency business in the PRC in October 2014 represented the first step in the diversification of the Group's businesses. As set out in the announcement of the Company dated 7 October 2014, that acquisition was made because the Directors believed at the time (and continue to believe) that the advertising and media industry was one of the fastest growing industries in the PRC.

The Directors are of the view that the Transactions would provide the Group with:

- (a) additional financial resources to help stabilise and maintain its property agency business; and

LETTER FROM THE BOARD

- (b) an opportunity to leverage on the extensive experience, expertise and business connection of the Subscribers, particularly Mr. Dong, Mr. Ning and Mr. Xu to develop existing and new business in the advertising, media and entertainment industry.

If the Transactions proceed, they would represent a significant step forward, following the Group's recent but relatively modest diversification into the PRC advertising agency business, in the implementation of the Group's two-pronged strategy of stabilising and maintaining its current base whilst diversifying its businesses. Mr. Dong, Mr. Ning and Mr. Xu have extensive experience, strong expertise and a wide business network in the media and entertainment industry. Mr. Dong, the ultimate owner of two of the Subscribers, has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former Chairman of ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060) (for more information on the background and achievements of Mr. Dong, please refer to the paragraphs headed "Information on the Subscribers" below).

In addition to the Subscription, Mr. Ning and Mr. Xu have entered into the Service Agreements with the Company, on an exclusive basis, for a service period of six years from Completion (subject to compliance with the Listing Rules requirements relating to continuing connected transactions). Mr. Ning and Mr. Xu are prestigious and successful directors and actors in the PRC movie industry (for more information on the background and achievements of Mr. Ning and Mr. Xu, please refer to the section headed "Information on the Subscribers" below). The Directors are of the view that the participation of Mr. Ning and Mr. Xu in the Company and through the services they would provide under the Service Agreements would be instrumental in the Company's development in the advertising, media and entertainment industry.

Upon Completion, the Group plans to fund the development of the media and entertainment business by the net proceeds from the Subscription initially and then by the Group's internal resources. As at the Latest Practicable Date, the Company has the following preliminary plans in relation to the advertising, media and entertainment business:

- firstly, invest in the Director Shareholders' Productions;
- secondly, invest in three to four productions from independent youth film directors to be identified by the Company, which productions may be distributed through various media avenues in addition to cinema distribution, such as television and internet platforms;
- thirdly, participate in co-investments or joint ventures with other media companies in developing film and media contents;
- fourthly, acquire and develop copyrights to media content which would be used for future productions; and

LETTER FROM THE BOARD

- lastly, seek opportunities to build partnership with online or internet channel operators to expand the avenues which the Company may distribute its productions.

The above are only preliminary plans and the Company may adjust and refine its plans and strategy after further internal discussions and conducting further analyses on the costs and benefits of each of the above proposed course of action following Completion. As at the Latest Practicable Date, save for the Service Agreements, no discussions have been carried on with any third parties, no contracts or other arrangements have been entered into with any third parties, and no concrete business plan or budget have been prepared in relation to the proposed plans above. As at the Latest Practicable Date, the Company has not set timeframe for the implementation of these plans.

The Group intends to develop and/or invest at least one movie and/or one television drama series per year. It is expected that (i) revenue from movie and/or television drama series includes income from ticket selling, internet/overseas copyright distributions and/or product placement; and (ii) production costs of movie and/or television drama series involve film director fees, artist fees, pre-production costs (such as script writer fees), film shooting costs, post-production costs, distribution and advertising costs (such as press release and promotion clips) etc.

According to Mr. Dong, the business cycle of film production and investment, including the work to be performed at each stage and the approximate amount of time each stage takes are described below:

Development

In the development stage, the film producer/director selects a story, which may come from a book, a play, another film, a true story, a comic book, a novel, or an original idea, etc. After identifying a story, the film producer/director selects a screenwriter and works with the screenwriter to prepare a synopsis of the film. The screenwriter then writes a screenplay. Once the screenplay is completed, the film producer/director prepares a pitch and presents it to potential investors. If a pitch succeeds, the parties involved would negotiate the terms of the investment and the film production and enter into definitive agreements in connection with the film. This stage usually takes approximately one month to three months.

Pre-production

In the pre-production stage, every step of creating the film is carefully designed and planned. The film is pre-visualised by the film director, and may be storyboarded with the help of illustrators and concept artists. A production budget is prepared to determine expenditures for the film. The producer hires a crew, which may include storyboard artists, production manager, location manager, production designer, costume designer, make-up and hair designer, casting director, cinematographer and director of audiography. This stage usually takes approximately one month to two months.

LETTER FROM THE BOARD

Production

In the production stage, the film is created and recorded. The setting up of construction, dressing and lighting may take many hours or even days. While the crew prepares their equipment, the actors are dressed in their costumes and complete their hair and make-up preparations. The actors rehearse with the film director, the cameraman and sound crews. Finally, the film is recorded. This production stage usually takes approximately three months.

Post-production

In the post-production stage, the film is assembled by the film editor. The film shots and production sounds are edited, music tracks and songs are composed and recorded, sound effects are designed and recorded and any computer-graphic visual effects are digitally added. This stage usually takes approximately three months.

Distribution

In the distribution stage, the film is released to cinemas, directly to consumer media (such as DVD, VCD, VHS and Blu-ray) or directly downloaded from a digital media provider. Film distributors usually release a film with a launch party, a red-carpet premiere, press releases, interviews with the press, press preview screenings and film festival screenings. The investor(s) of the film will share the profits or losses generated from the distribution of such film. This stage usually takes approximately three months to six months.

It is expected that the Company will be most involved in the development stage, as the Director Shareholders or other film directors will prepare their proposal with respect to their proposed production and present the same to the Board or a designated board committee for consideration (in the case of the proposed Director Shareholders' Productions, in accordance with the procedures set forth in the section headed "Director Shareholders' Proposal" in the Letter from the Board). In determining whether to invest in any proposed production, the Board or the designated board committee may consider the following factors, among others:

Product consideration

- target audience in terms of size, clarity and appeal;
- track record of the film director, talent and writer; and
- quality of script.

Revenue consideration

- box office potential;
- potential of distribution through other media; and
- ancillary revenue potential such as books, merchandising and soundtrack albums.

LETTER FROM THE BOARD

Cost consideration

- size of budget; and
- risk of over-budget.

Risk/reward consideration

- risk itemisation and evaluation;
- upside potential; and
- overall risk to return.

Should the Board or the designated board committee decide to invest in a proposed production, the terms of the investment and production will be agreed between the Company and the relevant Director Shareholder or other film directors.

The gross proceeds and the net proceeds from the Subscription are approximately HK\$680.6 million and approximately HK\$676.7 million (after deduction of professional fees and estimated expenses of approximately HK\$3.9 million (excluding the financial advisory fees in respect of the Subscription to be settled by the Fee Shares) payable by the Group in connection with the Subscription) respectively. The net proceeds raised per Subscription Share upon Completion and payment in full of the Subscription Price will represent a net price of approximately HK\$0.398 per Subscription Share.

The Directors expect to use the net proceeds from the Subscription during the period up to 31 December 2016 as follow:

- (i) approximately HK\$520.0 million for the development of six movies, including three from the Director Shareholders' Productions and three from independent youth film directors. In respect of the three movies from the Director Shareholders' Productions, the cost of productions and investment, including but not limited to the artist fees, the film director fees and the other production costs, are estimated to be approximately HK\$330 million, and the costs of advertising and distribution are estimated to be approximately HK\$8 million; and in respect of the three movies from the independent youth film directors, the cost of productions and investment are estimated to be approximately HK\$150 million, and the costs of advertising and distribution are estimated to be approximately HK\$32 million;
- (ii) approximately HK\$150.0 million for the development of three to four television drama series for the broadcasting in television and/or internet platforms; and
- (iii) approximately HK\$6.7 million for general working capital.

The Directors are of the view that the proceeds from the Subscription would provide sufficient funding to stabilise and maintain the Group's existing businesses as well as to pursue its plans to develop its advertising, media and entertainment business as described in this

LETTER FROM THE BOARD

section. If following further consideration and analysis, the Board considers that the financial resources raised from the Subscription are insufficient, the Board may pursue other fund raising methods which are suitable for the specific needs of the Company existing at such time.

As at the Latest Practicable Date, save as disclosed above, no proposals, terms or timetable had been determined for any possible future transactions or arrangements, and the Company and Newwood had only held preliminary discussions in respect of the above.

Based on the information provided by Mr. Dong, the ultimate beneficial owners of the Subscribers (other than Mr. Dong, Mr. Ning and Mr. Xu) are social acquaintances of Mr. Dong and are introduced by Mr. Dong to participate in the Subscription. Their participation is one of the factors considered by Mr. Dong to subscribe for the Subscription Shares. Each of them has noteworthy background, experience, social status, connections, personal and/or professional achievements. Mr. So Chak Kwong, the ultimate beneficial owner of Concept Best, is a director of AIA Group Limited and an independent senior advisor to Credit Suisse, Greater China. Mr. So Chak Kwong was a director and chairman of the Hong Kong Trade Development Council, as chairman of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland, a director of Cathay Pacific Airways Limited and chairman of the Film Development Council. Mr. Gao Zhikai, the ultimate beneficial owner of Dayunmony, is the vice chairman of Sino-Europe United Investment Corporation. He was an English interpreter for the Second Generation of Chinese Leaders, including Mr. Deng Xiaoping, and also worked with the United Nations Secretariat in New York. He worked as a lawyer with Milbank, Tweed, Hadley & McCloy, as an investment banker with Morgan Stanley and its joint venture investment bank in China, China International Capital Corporation, as the China Policy Advisor with the SFC and also held senior management positions with major corporations including PCCW Limited, Henderson Land Development Company Limited and CNOOC Limited. Mr. Tse Yiu Lam, the ultimate beneficial owner of Gold Shine, and Mr. Yeung Ning, the ultimate beneficial owner of Wise Dragon, are active, skilled and experienced investors who have, to the knowledge of Mr. Dong, made very successful investments in real estate and other businesses in the past. REORIENT Group, the holding company of RGL, is experienced in, among others, securities broking and provision of consultancy and advisory services. The Board is of the view that all of the ultimate beneficial owners of the Subscribers (in addition to Mr. Dong, Mr. Ning and Mr. Xu) would be able to offer valuable insight, business contacts and networking capabilities and opportunities to the Group to develop its existing property agency, securities trading and investments business as well as the advertising, media and entertainment business. In addition, the financial contribution of approximately HK\$108 million by such other Subscribers (being Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL) would enable the Group to have additional proceeds to achieve its objective of stabilising and maintaining the property agency business while developing its advertising, media and entertainment business.

Although the Subscription Price represents a significant discount to the Share price of the Company as at the Last Trading Day, the Board is of the view that the Share price of the Company is not supported by the fundamental value of the Group prior to the date of the Subscription Agreement. From a net asset value perspective, the apparent discount to the net asset value of the Group of 31% is based on the financial results of the Group as at 31 December 2014, which does not take into account the increase in net asset value of the Group

LETTER FROM THE BOARD

from the proceeds of the Subscription (amounting to HK\$680.6 million). The Board considers that the Subscription had actually created a value premium for the Company given the surge in the Share price of the Company after the publication of the Announcement, and demonstrates the Shareholders' perception that the valuation of the Company (taking into account the longer term financial performance and strategic direction of the Group) has increased in light of the Subscription and the transactions contemplated under the Service Agreements, notwithstanding the discount to the Share price or net asset value of the Group which the Subscription Price represents. The Board is of the view that the Share price subsequent to the publication of the Announcement can maintain such a high level or the value premium is principally as a result of, among other things, the Subscription (together with the transactions contemplated under the Service Agreements).

The Board is therefore of the view that (i) the discount in the Subscription Price given to the Subscribers is justified by the extensive experience, expertise and business connection in the media and entertainment industry which Mr. Dong, Mr. Ning and Mr. Xu may offer to the Group, and the valuable insight, business contacts and networking capabilities and opportunities which Mr. So Chak Kwong, Mr. Gao Zhikai, Mr. Yeung Ning, Mr. Tse Yiu Lam and RGL may offer to the Group, (ii) the discount in the Subscription Price is not substantial when taking into account the net asset value of the Group, and (iii) the Subscription had actually created a value premium for the Company given the surge in the Share price of the Company after the publication of the Announcement, notwithstanding any discount in the Subscription Price to the Share price of the Company. In view of the foregoing, the Company considers that the Subscription Price is fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the Subscription not only raises additional financial resources to the Company, but also provides an opportunity to better tie the interests of the Subscribers with the long-term development and success of the Group and to leverage on the extensive experience, expertise and business connection of the Subscribers, particularly Mr. Dong, Mr. Ning and Mr. Xu to develop existing and new business in the advertising, media and entertainment industry, which diversify and broaden the Group's income source and help reduce fluctuations in the financial results of the Group resulting from the cyclical nature of the property market in Hong Kong. Accordingly, the Directors have not considered alternative fund raising methods, other than the Subscription. In addition, as the Independent Shareholders' approval on the Service Agreements and the transactions contemplated thereunder is one of the conditions precedent to the Subscription, the Directors believe that the participation of Mr. Ning and Mr. Xu in the Company through the services to be provided by them under the Service Agreements is vital to the Company's development in the new business in advertising, media and entertainment industry. Other financing methods such as debts and rights issue will not provide the Subscribers with the chance to get a stronger bond to the future development of the Group.

Industry overview of the advertising, media and entertainment industry

According to Mr. Dong, "The Notice of the Ministry of Finance, the National Development and Reform Commission, the Ministry of Land and Resources, and Other Departments on Several Economic Policies for Supporting the Development of Films" jointly

LETTER FROM THE BOARD

issued by seven ministries, namely, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development, the State Administration for Taxation, and the General Administration of Press, Publication, Radio, Film and Television in May 2014, has brought another round of growth momentum to the Chinese film industry development, by supporting the film industrial development in five aspects, namely, financial subsidies, tax incentives, financial support, land policies and implementation by and coordination among various administrations. The Directors are of the view that advertising, media and entertainment industry is one of the fastest growing industries in the PRC and it is in the interests of the Company to diversify its business into the advertising, media and entertainment industry.

Risk factors relating to the advertising, media and entertainment industry

Given that the Company will invest in a limited number of films, the success or failure of these films could have a significant impact on the Company's results of operations in both the year of release and in the future. In general, the economic success of a film is largely determined by the appeal of the film to a broad audience and by the effectiveness of the marketing of the film. The Company cannot precisely predict the economic success of any of the films the Company invests in because an acceptance of the film by the public cannot be predicted with certainty. If the Company does not accurately judge audience acceptance of a film in selecting the films it invests in, the Company may not recoup its costs or realise its anticipated profits. Accordingly, the Company's revenues and results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

According to Mr. Dong, the film industry is fragmented and highly competitive. Competitors include not only privately-owned companies, but also state-owned enterprises, which have historically dominated and have in recent years continued to play a prominent role in the PRC film industry. The number of films invested by competitors may create an oversupply of films in the market and make it more difficult for the films the Company invests in to succeed or to be successfully exhibited in movie theaters at desirable times.

According to Mr. Dong, in many parts of the world, film piracy is extensive and is made easier by technological advances and the conversion of films into digital formats. In particular, unauthorised copying and piracy are prevalent in the PRC and other countries in Asia, whose legal systems may make it difficult for the Company to enforce its intellectual property rights. As a result, the creation, transmission and sharing of high quality unauthorised copies of films in or prior to theatrical release has proliferated. This proliferation will likely have an adverse effect on the Company's business, because these products reduce the revenue the Company will receive from its investment in films.

LETTER FROM THE BOARD

Brief discussion about the relevant rules and regulations about the advertising, media and entertainment industry

According to Mr. Dong and the Director Shareholders, the following rules and regulations apply to the film and other media productions in the PRC:

In accordance with the Regulations on the Administration of Movies which became effective on 1 February 2002 and the Interim Provisions on Operation Qualification Access for Movie Enterprises which became effective on 10 November 2004, both of them being the latest regulations, production, distribution, import and projection of films are subject to licences issued by the State Administration of Press, Publication, Radio, Film and Television of the PRC (the “SAPPRFT”) (formerly known as the State Administration of Radio, Film and Television of the PRC). A film production licence or a film production licence (single film) is required for production of films in the PRC. If a PRC producer cooperates with a foreign producer to produce a film, an additional “Licence for Producing Films through Chinese-foreign Cooperation” must be obtained. A film distribution company in the PRC must obtain a film distribution licence and only movie import entities designated by the SAPPRFT may be engaged in import of foreign films. In addition, other aspects of the film industry, including the contents of films and scripts, the foreign investment in the industry and the projection time for different types of films by film theaters are also subject to detailed and extensive regulations.

According and based on the experience of Mr. Dong, the time required to apply for, and obtain licences for production and distribution of films or other productions would depend on the type of licences, the applicable regulatory authority and the location of such authority which has jurisdiction over the relevant film or production, but in any event, the relevant licences and approvals would typically take approximately two to three months to obtain.

The current intention of the Company is that, after Completion, it will rely on third party service providers who hold the required licences for production and distribution of films and other media content for the circulation of the productions which the Company invests in, including the Director Shareholders’ Productions. Should the Company engage in any activities in the future which requires that it procures any of the foregoing licences or other licences, approvals or consents from relevant government authorities, the Company will do the same to comply with applicable laws.

According to Mr. Dong and the Director Shareholders, film and television industry in the PRC has been developed rapidly in the past years. Following years of rapid development, there is a vast number of independent service providers providing various film and television production and distribution services and there is a number of reputable and reliable independent service providers who have been engaged by Hong Kong and overseas film companies for producing and distributing films and television drama series in the PRC. The engagement of independent service providers for producing and distributing films and television drama series in the PRC is a common business model of Hong Kong film companies, which works well and cost-effectively. In addition, as described in the section headed “Reasons for and Benefits of the Subscription and the Service Agreements and Use of Proceeds”, Mr. Dong and the Director Shareholders have extensive experience, expertise and

LETTER FROM THE BOARD

connections in the media and entertainment industries, and the ultimate beneficial owners of the other Subscribers have broad business contacts generally in the PRC market. Based on their collective knowledge and experience, the Company is confident that it will be able to identify appropriate and reliable third party service providers and negotiate suitable commercial arrangements with such providers to provide the necessary services to the Company.

The Directors (including the Independent Board Committee, after considering the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable and the Subscription, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company had 577,138,852 Shares in issue. The Company had no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The table below sets out (i) the effect of the Subscription and the allotment and issue of the Fee Shares on the shareholding structure of the Company immediately upon Completion and the allotment and issue of the Fee Shares; and (ii) the effect of the Subscription on the shareholding structure of the Company immediately upon Completion, assuming no Shares will be issued or repurchased between the Latest Practicable Date and Completion:

	As at the Latest Practicable Date		Immediately upon Completion		Immediately upon Completion and the allotment and issue of the Fee Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Thought Diamond International Limited (Notes 1 and 3)	143,850,000	24.92%	143,850,000	6.31%	143,850,000	6.23%
The Subscribers and their respective concert parties						
Newwood	—	—	461,711,082	20.26%	461,711,082	20.00%
Numerous Joy	—	—	92,342,216	4.05%	92,342,216	4.00%
Pacific Wits	—	—	438,625,528	19.25%	438,625,528	19.00%
Tairong	—	—	438,625,528	19.25%	438,625,528	19.00%
Wise Dragon (Note 3)	—	—	69,256,662	3.04%	69,256,662	3.00%
Gold Shine (Note 3)	—	—	69,256,662	3.04%	69,256,662	3.00%
Dayunmony (Note 3)	—	—	46,171,108	2.03%	46,171,108	2.00%
Concept Best (Note 3)	—	—	46,171,108	2.03%	46,171,108	2.00%
RGL (Note 3)	—	—	39,256,662	1.72%	39,256,662	1.70%
RFML (Notes 2 and 3)	—	—	—	—	30,000,000	1.30%
<i>Subtotal</i>	—	—	1,701,416,556	74.67%	1,731,416,556	75.00%
Existing public Shareholders	433,288,852	75.08%	433,288,852	19.02%	433,288,852	18.77%
Total	<u>577,138,852</u>	<u>100.00%</u>	<u>2,278,555,408</u>	<u>100.00%</u>	<u>2,308,555,408</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Notes:

1. These Shares were held by Thought Diamond International Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director. Upon Completion, Mr. Cheung Kwok Fan will resign as an executive Director and these Shares shall be counted as held in public hands for the purposes of Rule 8.08(1) of the Listing Rules.
2. RFML is the financial adviser to the Company which, subject to the approval of the Independent Shareholders at the SGM, will receive 30,000,000 Fee Shares as settlement for financial advisory services provided by RFML in respect of the Subscription.
3. Upon Completion, these Shares shall be counted as held in public hands for the purposes of Rule 8.08(1) of the Listing Rules as (i) none of Wise Dragon, Gold Shine, Dayunmony, Concept Best, RGL nor RFML will become a core connected person of the Company; (ii) none of Wise Dragon's, Gold Shine's, Dayunmony's, Concept Best's nor RGL's acquisition of the Subscription Shares will be financed directly or indirectly by a core connected person of the Company; and (iii) none of Wise Dragon, Gold Shine, Dayunmony, Concept Best, RGL nor RFML is accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Subscription Shares or the Fee Shares registered in their names or otherwise held by them.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of property agency and related services, securities trading and investment and advertising agency business.

INFORMATION ON THE SUBSCRIBERS

Each of Newwood and Numerous Joy is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Dong. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former Chairman of ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1060). According to Mr. Dong, (i) he has been the principal investor, producer and co-producer of various internationally renowned films, including *Crouching Tiger Hidden Dragon* 《臥虎藏龍》 (directed by Mr. Ang Lee (李安)), *Devils on the Doorstep* 《鬼子來了》 (directed by Mr. Jiang Wen (姜文)), *Peacock* 《孔雀》 (directed by Mr. Gu Changwei (顧長衛)), *Let the Bullets Fly* 《讓子彈飛》 (directed by Mr. Jiang Wen (姜文)), *Journey to the West* 《西游降魔》 (directed by Mr. Chow Sing Chi (周星馳)), *Dearest* 《親愛的》 (directed by Mr. Chan Ho Sun (陳可辛)) and *Breakup Buddies* 《心花路放》 (directed by Mr. Ning); (ii) some of these films have won numerous major awards in both domestic and overseas film festival; (iii) from August 2003 to April 2005, he was the president of Asian Union Film and Media; and (iv) between 31 May 2005 and 11 January 2008, he was appointed as an executive director of Asian Union New Media Group Limited (華億新媒體(集團)有限公司) ("Asian Union", now known as China Jiu hao Health Industry Corporation Limited), and was the chairman of the board of directors from 12 May 2006 to 11 January 2008.

According to Mr. Dong, Asian Union Film and Media is a domestic media group in the PRC that is a major content provider, producing television drama and movies. Asian Union is a company listed on the Main Board of the Stock Exchange under the stock code: 419 and is

LETTER FROM THE BOARD

principally engaged in (i) the provision of online healthcare service; (ii) the provision of offline healthcare and wellness services; and (iii) media business. While Mr. Dong served as an executive director and the chairman of the board of directors of Asian Union, Asian Union was engaged in various media related businesses in the PRC, including consolidation and sale of advertising resources, and the production of television programs, advertisements, television dramas and films.

Pacific Wits is an investment holding company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Ning, a Chinese film director and screenwriter. According to Mr. Ning, (i) he has directed seven films between 2003 and 2014, which were engraved with his unique personal style and won international acclaim; (ii) all of his films have achieved strong investment returns; (iii) his directorial debut Incense 《香火》 and his second film Mongolian Ping Pong 《綠草地》 were nominated in more than 50 international film festivals including the Berlin Film Festival, Locarno Film Festival and the Hong Kong Film Festival; (iv) among these, Incense 《香火》 won the Grand Prize at the 4th Tokyo FILMeX Festival in 2003 and the Golden Prize (Asian Digital Films) at the 28th Hong Kong International Film Festival in 2004; (v) in 2006, he directed his small budget film Crazy Stone 《瘋狂的石頭》, which won the Taiwan Golden Horse Award (臺灣金馬獎) for the Best Original Screenplay; (vi) in 2009, Crazy Racer 《瘋狂的賽車》, which he wrote and directed and was produced for an investment of only RMB10 million, achieved over RMB100 million at the box office; (vii) in 2013, he directed No Man's Land 《無人區》, which won the Annual Tribute Movie by One Hundred Media (百家傳媒年度致敬電影) at the 14th Chinese Film Media Awards (華語電影傳媒大獎); and (viii) he also directed the huge box office hit Breakup Buddies 《心花路放》(2014) which grossed RMB1,169 million (equivalent to approximately US\$187 million) at the PRC box office and became the highest grossing-domestic Chinese film of the year.

Tairong is an investment holding company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Xu, a Chinese actor, director, screenwriter and producer. According to Mr. Xu, (i) he started his career as an actor in the 1990s; (ii) in 2012, his directorial debut Lost in Thailand 《人在囧途之泰囧》 (a road trip comedy) which he also wrote, produced and starred in, earned over US\$200 million and became the highest-grossing domestic Chinese film ever; (iii) in 2014, he produced and starred in "The Great Hypnotist" 《催眠大師》 (a suspense thriller film), which achieved outstanding box-office success (with approximately RMB274 million (equivalent to approximately US\$44 million)) and a great reputation in the Chinese suspense thriller film market; and (iv) as an actor, he has appeared in four of his films, including No Man's Land 《無人區》(2013) (for which he was awarded the best lead actor by the Chinese Film Director Association (中國電影導演協會) in 2014) and the huge box office hit Breakup Buddies 《心花路放》(2014).

Wise Dragon is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Yeung Ning. Mr. Yeung Ning is a private investor.

Gold Shine is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Tse Yiu Lam. Mr. Tse Yiu Lam is a private investor.

LETTER FROM THE BOARD

Dayunmony is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Gao Zhikai. Mr. Gao Zhikai is a private investor.

Concept Best is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. So Chak Kwong. Mr. So Chak Kwong is a private investor. Mr. So was the Chairman of the Hong Kong Trade Development Council and he also served as the Chairman of the Hong Kong Film Development Council. Mr. So has been a member of the Chinese People's Political Consultative Conference since 2008.

RGL, a company incorporated in Hong Kong with limited liability, is principally engaged in provision of administrative services and is a fellow subsidiary of RFML, the financial adviser to the Company in relation to the Subscription. Both RGL and RFML are wholly owned by REORIENT Group. REORIENT Group is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services.

The Shareholders Agreement

On 14 April 2015 (after trading hours), Mr. Dong, Newwood and the Director Subscribers entered into the Shareholders Agreement, which sets forth certain rights and obligations of each of the parties in respect of the governance of the Company following Completion, as follows:

Corporate governance

Director nomination rights

Subject to compliance with applicable laws and the Bye-laws, for as long as:

- (a) Director Subscriber 1 holds, directly or indirectly, at least 5% of the issued share capital of the Company, it shall be entitled to nominate one non-executive Director to the Board;
- (b) Director Subscriber 2 holds, directly or indirectly, at least 5% of the issued share capital of the Company, it shall be entitled to nominate one non-executive Director to the Board; and
- (c) Mr. Dong holds, directly or indirectly, at least 15% of the issued share capital of the Company, he shall be entitled to nominate at least five Directors to the Board, including executive, non-executive and independent non-executive Directors.

LETTER FROM THE BOARD

Voting Rights

Each of the Director Subscribers undertakes, unless it/he is required to abstain from voting on such matters pursuant to the applicable laws, it/he will exercise, or use its/his best endeavours to cause the exercise of, the Voting Rights attaching to the Shares held by it/him, in accordance with the directions of Mr. Dong in respect of the matters set forth below:

- (a) any amendment, modification or waiver of any provision of the Bye-laws or any charter document of the Company;
- (b) any creation, authorisation or issuance of (or undertaking of any obligation to issue) any equity securities or debt securities of the Company;
- (c) any merger, consolidation, other corporate reorganisation or alternation of the capital structure of the Company, including any reduction of the share capital of the Company;
- (d) any liquidation or winding up of the Company;
- (e) any repurchase or redemption of any Shares;
- (f) any increase or decrease in the size of the Board, any change to the manner in which the Director is appointed or the composition of the Board;
- (g) any transaction or a series of related transactions that would constitute a notifiable transaction under the Listing Rules;
- (h) any transaction or a series of related transactions that would constitute a connected transaction or a continuing connected transaction under the Listing Rules;
- (i) any transaction or a series of related transactions governed by the Takeovers Code, including any general offers, mandatory offers, scheme of arrangements, share repurchases or any similar transactions involving the Company;
- (j) any dividend or distribution;
- (k) any change of the name of the Company;
- (l) any purchase or acquisition of securities of other companies;
- (m) any matter which is required to be approved by a special resolution of the Company;
and
- (n) any transaction or a series of related transactions which would have, or may have, the effect of diluting or reducing the effective shareholding of Mr. Dong in the Company.

LETTER FROM THE BOARD

Mr. Dong undertakes that, if he or the Director Subscriber(s) is/are of the view that the exercise by the Director Subscriber(s) of the Voting Rights would have a material adverse effect on such Director Subscriber, Mr. Dong and such Director Subscriber shall enter into consultations and use their best endeavours to reach an agreement within five business days, prior to the Director Subscriber(s) exercising his/their Voting Rights.

Mr. Dong further undertakes that, if the exercise by the Director Subscriber(s) of his/their Voting Rights would cause a dilution to the direct or indirect shareholding of the Director Subscriber(s) in the Company (including any shareholding such Director Subscriber may acquire following Completion), the Director Subscriber(s) shall be entitled to exercise the voting rights attaching to the Shares held by him/them in respect of any such matters or transactions at its/their own discretion. Mr. Dong and the Director Subscribers shall not exercise their voting rights in respect of the relevant matter until they have reached an agreement.

Right of first refusal

No transfer (save for any transfer to a wholly-owned holding company or a family trust) of Shares held directly or indirectly by the Director Subscriber(s) shall be permitted unless an offer is first made to Mr. Dong to purchase the relevant Shares on the same terms and conditions as the proposed transfer.

Tag-along

If Mr. Dong proposes to transfer any Shares directly or indirectly held by him through a placing agent or an off-market transfer, each of the Director Subscribers shall be entitled to participate in such transfer, on the same terms and conditions as those available to Mr. Dong in respect of his proposed transfer, by offering a pro-rata number of Shares held by each of them in relation to the total number of Shares proposed to be transferred by Mr. Dong. If the Director Subscriber(s) elect to exercise his/their tag-along rights, the number of Shares which Mr. Dong shall be entitled to transfer shall be reduced accordingly.

The Subscribers Agreement

On 14 April 2015 (after trading hours), the Subscribers (other than Numerous Joy, Concept Best and RGL) entered into the Subscribers Agreement, pursuant to which (i) Newwood undertakes to pay, or arrange for payment, of the subscription price payable by each of Pacific Wits and Tairong under the Subscription Agreement, and (ii) each of the parties to the Subscribers Agreement agreed to do all necessary acts and things to facilitate Completion in accordance with the terms and conditions of the Subscription Agreement.

LETTER FROM THE BOARD

DEALING AND INTEREST OF THE SUBSCRIBERS AND PARTIES ACTING IN CONCERT WITH THE SUBSCRIBERS IN THE SECURITIES OF THE COMPANY

Save for the Subscription, the Subscribers confirmed that as at the Latest Practicable Date, neither they, nor any parties acting in concert with them:

- (a) owned, controlled or had direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives or outstanding derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) had received an irrevocable commitment to vote for or against the Subscription and/or the Whitewash Waiver;
- (c) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;
- (e) had any agreement or arrangement to which it is a party which relates to the circumstances in which it might or might not invoke or sought to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; or
- (f) had dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the Relevant Period.

FUTURE INTENTIONS OF NEWWOOD AND PARTIES ACTING IN CONCERT WITH THE SUBSCRIBERS REGARDING THE GROUP

Upon Completion, the Company and Newwood intend to continue operating the Company's existing businesses, which principally include the provision of property agency and related services, securities trading and investment and advertising agency business. As at the Latest Practicable Date, the Company has not entered, nor proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose of or downsize the existing businesses of the Group.

In addition, as set out in more details in the section headed "Reasons for and Benefits of the Subscription and the Service Agreements and Use of Proceeds", the Company and Newwood will explore future business opportunities in the entertainment and media-related areas, including planning, production, publication, investment, distribution of television drama series, films and advertising. As at the Latest Practicable Date, save for the transactions contemplated under the Shareholders Agreement and the Service Agreements, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement and, at this stage, the Company and Newwood have only held exploratory

LETTER FROM THE BOARD

discussions. Save for the transactions contemplated under the Shareholders Agreement and the Service Agreements, no agreements for any such possible future transactions or arrangements have been entered into.

Save as disclosed above, as at the Latest Practicable Date, Newwood and the other Subscribers have expressed that they have no intention to make any major changes to the continued employment of the employees of the Company and its subsidiaries, nor have they considered any redeployment of the fixed assets of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities of the Company in the past 12 months immediately preceding the date of the Announcement:

Date of announcement	Description	Net amount raised	Intended use of proceeds as announced	Actual use of proceeds
25 April 2014	Placing of new Shares under general mandate and open offer on the basis of one offer Share for every two existing Shares	Approximately HK\$142.6 million	Expansion into a new business relating to provision of mortgage financing	(i) HK\$80.0 million was utilised for financing the granting of loan to an independent third party for a term of two years; and (ii) approximately HK\$62.6 million has remained unused and placed with licensed banks in Hong Kong

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate, which is subject to the approval of the Independent Shareholders at the SGM. Any Shareholders and its associates who has an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder shall abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the allotment and issue of the Fee Shares. As at the Latest Practicable Date, a company controlled by Mr. Lei Hong Wai (an executive Director and the Chairman of the Board) and Mr. Cheung Kwok Fan (an executive Director and the substantial Shareholder) was a substantial shareholder of Eternity. Eternity indirectly held 13,000,000 shares of REORIENT Group representing approximately 2.85% of the issued share capital of REORIENT Group. RGL was a wholly-owned subsidiary of REORIENT Group. Thought Diamond International Limited, which held approximately 24.92% of the issued share capital of the Company, was wholly and beneficially owned by Mr. Cheung Kwok Fan. Save for the aforesaid, none of the Shareholders has an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder as at the Latest Practicable Date.

LETTER FROM THE BOARD

Upon Completion and the allotment and issue of the Fee Shares, each of Pacific Wits and Tairong will become a substantial Shareholder and thus a connected person of the Company. Director Shareholder 1 and Director Shareholder 2 are the ultimate beneficial owners of Pacific Wits and Tairong, respectively, and thus the Service Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As the proposed annual caps of the Service Agreements exceed HK\$10,000,000 and the applicable percentage ratios based on the proposed annual caps of the Service Agreements exceed 5%, the Service Agreements and the transactions contemplated thereunder are non-exempt continuing connected transactions and are subject to the requirements under Chapter 14A of the Listing Rules, in particular, the Independent Financial Adviser will explain why the Service Agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration pursuant to Rule 14A.52 of the Listing Rules, and, if necessary, obtaining independent shareholders' approval to renew the Service Agreements every three years pursuant to Rule 14A.54 of the Listing Rules.

None of the Directors has a material interest in the Service Agreements, and hence none of the Directors has abstained from voting on the board resolution approving the Service Agreements.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Upon Completion, Newwood (being one of the Subscribers) will be interested in 461,711,082 Shares, representing 80.0% of the issued share capital of the Company as at the Latest Practicable Date or approximately 20.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares or 20.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL, who are also the Subscribers, and RFML, a fellow subsidiary of RGL, are parties acting in concert with Newwood. Upon Completion, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,701,416,556 Shares (before the allotment and issue of the Fee Shares), representing approximately 294.80% of the issued share capital of the Company as at the Latest Practicable Date or approximately 74.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Upon Completion and after allotment and issue of the Fee Shares, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,731,416,556 Shares, representing 300.0% of the issued share capital of the Company as at the Latest Practicable Date or 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers, unless the Whitewash Waiver is obtained from the Executive. In

LETTER FROM THE BOARD

this regard, Newwood (on its behalf and on behalf of the other Subscribers) has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of the Subscription (which is conditional upon satisfaction (or, if applicable, waiver) of the conditions precedent set out in the section headed “Conditions of the Subscription”), the Service Agreements and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and the Subscription, the Service Agreements and the Whitewash Waiver being approved by the Independent Shareholders. The Whitewash Waiver, if granted, is subject to, among other things, the approval of the Independent Shareholders on a vote by way of poll at the SGM. Thought Diamond International Limited (which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director, who was involved in the negotiation of the Subscription for and on behalf of the Company) will abstain from voting at the SGM in respect of the resolutions relating to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements. Save as disclosed above, no other Shareholders is interested or involved in the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and/or the Service Agreements as at the Latest Practicable Date.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders and the Subscription becomes unconditional, the aggregate shareholding of the Subscribers and parties acting in concert with the Subscribers in the Company will exceed 50% upon Completion. The Subscribers and parties acting in concert with any of them may further increase their shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “21 Holdings Limited” to “Huanxi Media Group Limited” and to adopt a Chinese name “歡喜傳媒集團有限公司” for identification purpose after Completion. Following the Change of Company Name becoming effective, the Company will cease to use its existing Chinese name “21控股有限公司” for identification purposes.

Conditions for the Change of Company Name

The Change of Company Name is subject to the following events having been carried out:

- (a) the passing of a special resolution by the Shareholders at the SGM approving the Change of Company Name;
- (b) completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement; and
- (c) the Registrar of Companies in Bermuda approving the Change of Company Name.

LETTER FROM THE BOARD

The relevant filing with the Registrar of Companies in Bermuda will be made after the passing of the special resolution at the SGM. Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date of entry of the new English name of the Company on the register maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

Reasons for the Change of Company Name

Upon Completion, each of Newwood, Pacific Wits and Tairong will become a substantial shareholder (as defined in the Listing Rules) of the Company. The Board believes that the new English and Chinese names of the Company will provide the Company with a fresh corporate image, which will benefit the Company's future business development. The Directors are of the view that the Change of Company Name is in the interests of the Company and the Shareholders as a whole.

Effects of the Change of Company Name

The Change of Company Name will not affect any rights of the existing Shareholders. All existing share certificates of the Company in issue bearing the present name of the Company shall, after the Change of Company Name becoming effective, continue to be evidence of title to such Shares and valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for the exchange of the existing share certificates for new certificates bearing the new English and Chinese names of the Company.

Once the Change of Company Name becomes effective, any issue of share certificates thereafter will be in the new English and Chinese names of the Company. Subject to the confirmation by the Stock Exchange, the English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange will also be changed after the Change of Company Name becomes effective.

Further announcement(s) will be made by the Company to inform the Shareholders of the effective date of the Change of Company Name, the new English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange and the new website address of the Company as and when appropriate.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising two independent non-executive Directors, namely Ms. Chio Chong Meng and Mr. Wong Tak Chuen, has been established to give a recommendation to the Independent Shareholders in respect of the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps). Since Mr. Man Kong Yui, the other independent non-executive Director, was interested in 200,000 shares in REORIENT Group (the holding company of RGL, one of the Subscribers, and RFML, the financial adviser of the Company in respect of the Subscription) as at the Latest Practicable Date, Mr. Man Kong Yui has not been appointed as a member of the Independent Board Committee.

LETTER FROM THE BOARD

Somerley Capital Limited has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps).

SGM

The SGM will be convened and held at Meeting Room (Soho 2), 6/F., Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 28 August 2015 at 10:30 a.m. for the purposes of considering and, if thought fit, approving, among other things, the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Change of Company Name. The voting in relation to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Change of Company Name at the SGM will be conducted by way of a poll.

For the purposes of the Listing Rules, (i) the Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate, which is subject to the approval of the Independent Shareholders at the SGM; (ii) the Service Agreements (including the proposed annual caps) are subject to the approval of the Independent Shareholders at the SGM; and (iii) the Change of Company Name is subject to the approval of the Shareholders at the SGM. Any Shareholder and its associates who has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder shall abstain from voting on the relevant resolutions to be proposed at the SGM. None of the Shareholders has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder as at the Latest Practicable Date.

For the purposes of the Takeovers Code, the Subscribers and parties acting in concert with them and other Shareholders who are interested or involved in the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and/or the Service Agreements shall abstain from voting on the relevant resolutions to be proposed at the SGM. Thought Diamond International Limited (which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director, who was involved in the negotiation of the Subscription for and on behalf of the Company) holds approximately 24.92% of the issued share capital of the Company and will abstain from voting at the SGM in respect of the resolutions relating to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements. Save as disclosed above, no other Shareholders is interested or involved in the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and/or the Service Agreements as at the Latest Practicable Date, and therefore no other Shareholder, other than Thought Diamond International Limited, is required to abstain from voting at the SGM in respect of the resolutions relating to them.

The Subscribers and parties acting in concert with the Subscribers did not hold any Shares as at the Latest Practicable Date and, accordingly, will not be entitled to vote on any of the resolutions at the SGM.

LETTER FROM THE BOARD

A notice convening the SGM is set out on pages 168 to 171 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

RECOMMENDATION

The Directors (including the Independent Board Committee, after considering the advice of the Independent Financial Adviser) consider that the Whitewash Waiver, and the terms of the Subscription, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable and the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions approving the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps).

Your attention is drawn to:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 44 of this circular; and
- (b) the letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee, the text of which is set out on pages 45 to 97 of this circular.

The Directors consider that the Change of Company Name is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote for the relevant resolution.

ADDITIONAL INFORMATION

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

Warning: The Subscription and the transactions contemplated thereunder are subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent which are set out under the section headed "Conditions of the Subscription" in this circular, including approval at the SGM by the Independent Shareholders of the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements, and the grant of the Whitewash Waiver by the Executive. The

LETTER FROM THE BOARD

Service Agreements will only take effect upon Completion. As such, the Subscription, the Service Agreements and the transactions contemplated thereunder may or may not proceed.

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

By Order of the Board
21 Holdings Limited
Lei Hong Wai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

5 August 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NEW SHARES;
(2) THE SERVICE AGREEMENTS —
CONTINUING CONNECTED TRANSACTIONS;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 5 August 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, (i) the Whitewash Waiver, and the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable; (ii) the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the ordinary resolutions to approve the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) at the SGM. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 45 to 97 of the Circular.

Having considered the Whitewash Waiver, and the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps), and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Whitewash Waiver, and the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable; and (ii) the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve them.

Yours faithfully
For and on behalf of the
Independent Board Committee

Chio Chong Meng
*Independent
Non-executive Director*

Wong Tak Chuen
*Independent
Non-executive Director*

* *for identification purpose only*

LETTER FROM SOMERLEY

The following is the text of a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong
5 August 2015

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

(1) SUBSCRIPTION OF NEW SHARES (2) THE SERVICE AGREEMENTS — CONTINUING CONNECTED TRANSACTIONS; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Subscription pursuant to the Subscription Agreement; (ii) the Whitewash Waiver; (iii) the allotment and issue of the Fee Shares; and (iv) the Service Agreements (including the proposed annual caps). Details of the Subscription, the Whitewash Waiver, the Fee Shares and the Service Agreements are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 5 August 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As set out in the section headed “Implications under the Takeovers Code and application for Whitewash Waiver” of the “Letter from the Board” contained in the Circular, (i) upon Completion, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,701,416,556 Shares (before the allotment and issue of the Fee Shares), representing approximately 74.67% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares; and (ii) upon Completion and allotment and issue of the Fee Shares, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,731,416,556 Shares, representing 75.0% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers, unless the Whitewash Waiver is obtained from the Executive. In this regard,

LETTER FROM SOMERLEY

Newwood (on its behalf and on behalf of the other Subscribers) has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted, is subject to, among other things, the approval of the Independent Shareholders on a vote by way of poll at the SGM, at which the Subscribers, their respective associates (if applicable) and parties acting in concert with them, and other Shareholders who are involved or interested in the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and/or the Service Agreements shall abstain from voting. Thought Diamond International Limited (which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director, who was involved in the negotiation of the Subscription for and on behalf of the Company) will abstain from voting at the SGM in respect of the resolutions relating to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements. The granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM are part of the conditions of the Subscription which cannot be waived. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

The Board currently consists of three executive Directors and three independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the independent board committee of the Company should comprise all non-executive Directors who have no direct or indirect interest in the Transactions, the Whitewash Waiver and the allotment and issue of the Fee Shares. Mr. Man Kong Yui, one of the independent non-executive Directors, was interested in 200,000 shares in REORIENT Group (the holding company of RGL, one of the Subscribers, and RFML, the financial adviser of the Company in respect of the Subscription) as at the Latest Practicable Date. Accordingly, Mr. Man Kong Yui is not considered to be independent in the context of the Transactions, the Whitewash Waiver and the allotment and issue of the Fee Shares, and is excluded from the Independent Board Committee. The Independent Board Committee comprising the remaining two independent non-executive Directors, namely Ms. Chio Chong Meng and Mr. Wong Tak Chuen, has been established to advise the Independent Shareholders on (1) whether the Whitewash Waiver, and the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned; (2) whether the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole; and (3) the voting action that should be taken by the Independent Shareholders at the SGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, the Subscribers or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps). Apart from normal professional fees payable

LETTER FROM SOMERLEY

to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscribers or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Circular; and (ii) the annual reports of the Company for the two years ended 31 December 2013 and 2014. We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Circular are true, accurate and complete as at the Latest Practicable Date. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Subscribers or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering (1) whether the Whitewash Waiver, and the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned; and (2) whether the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

I. Reasons for and background to the Subscription, the Service Agreements and the Fee Shares

The Group is principally engaged in the provision of property agency and related services, securities trading and investment, and advertising agency business.

As set out in the financial summary section of 2014 annual report of the Company, the Group recorded losses for the five financial years from 2010 to 2014 except for the financial year ended 31 December 2013. The Group recorded a profit for the year of approximately HK\$35.2 million in 2013, but this was mainly attributable to the reversal of provision for losses on litigation of HK\$86.5 million. If this reversal is excluded, the Group would have suffered a loss for the year ended 31 December 2013 of approximately HK\$51.3 million.

LETTER FROM SOMERLEY

The Directors are of the view that the advertising and media industry is one of the fastest growing industries in the PRC and it is in the interests of the Company to diversify its business into the advertising and media industry. In response to this, the Company entered into a sale and purchase agreement in October 2014 to acquire a company which has a subsidiary principally engaging in the advertising agency business in the PRC.

It is stated in the “Letter from the Board” contained in the Circular that Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former chairman of ChinaVision Media Group Limited (presently known as “Alibaba Pictures Group Limited”), a company listed on the Main Board of the Stock Exchange (stock code: 1060). Mr. Dong has been the principal investor, producer and co-producer of various internationally renowned films, including Crouching Tiger Hidden Dragon 《臥虎藏龍》(directed by Mr. Ang Lee (李安)), Devils on the Doorstep 《鬼子來了》(directed by Mr. Jiang Wen (姜文)), Peacock 《孔雀》(directed by Mr. Gu Changwei (顧長衛)), Let the Bullets Fly 《讓子彈飛》(directed by Mr. Jiang Wen (姜文)), Journey to the West 《西游降魔》(directed by Mr. Chow Sing Chi (周星馳)), Dearest 《親愛的》(directed by Mr. Chan Ho Sun (陳可辛)) and Breakup Buddies 《心花路放》(directed by Mr. Ning), some of which have won major awards in both domestic and overseas film festivals. Mr. Dong was the president of Asian Union Film and Media from August 2003 to April 2005, an executive director of Asian Union New Media Group Limited (華億新媒體(集團)有限公司) (stock code: 419) (“Asian Union”, presently known as “China Jiu hao Health Industry Corporation Limited”) between 31 May 2005 and 11 January 2008, and was the chairman of the board of directors of Asian Union from 12 May 2006 to 11 January 2008. According to Mr. Dong, Asian Union Film and Media is a domestic media group in the PRC and is a major content provider, producing television drama and movies. While Mr. Dong served as an executive director and the chairman of the board of directors of Asian Union, Asian Union was engaged in media related businesses (including distribution of television drama and films in the PRC, advertising agency and production).

It is also set out in the “Letter from the Board” contained in the Circular that Mr. Ning is a Chinese film director and screenwriter. Mr. Ning has directed seven films between 2003 and 2014, which were engraved with his unique personal style and won international acclaim. All of his films have achieved strong investment returns. Mr. Ning’s directorial debut Incense 《香火》 and his second film Mongolian Ping Pong 《綠草地》 were nominated in more than 50 international film festivals including the Berlin Film Festival, Locarno Film Festival and the Hong Kong Film Festival, and among these, Incense 《香火》 won the Grand Prize at the 4th Tokyo FILMeX Festival in 2003 and the Golden Prize (Asian Digital Films) at the 28th Hong Kong International Film Festival in 2004. Mr. Ning directed his small budget film Crazy Stone 《瘋狂的石頭》 in 2006, which won the Taiwan Golden Horse Award (臺灣金馬獎) for the Best Original Screenplay. In 2009, Crazy Racer 《瘋狂的賽車》, a film which Mr. Ning wrote and directed and was produced for an investment of only RMB10 million, achieved over RMB100 million at the box office. In 2013, he directed No Man’s Land 《無人區》, which won the Annual Tribute Movie by One Hundred Media (百家傳媒年度致敬電影) at the 14th Chinese Film Media Awards (華語電影傳媒大獎). Mr. Ning also directed the huge box office hit Breakup Buddies 《心花路放》(2014) which grossed RMB1,169 million (equivalent to approximately US\$187 million) at the PRC box office and became the highest grossing-domestic Chinese film of the year.

LETTER FROM SOMERLEY

As set out in the “Letter from the Board” contained in the Circular, Mr. Xu, a Chinese actor, director, screenwriter and producer, started his career as an actor in the 1990s. In 2012, his directorial debut *Lost in Thailand* 《人在囧途之泰囧》(a road trip comedy) which he also wrote, produced and starred in, earned over US\$200 million and became the highest-grossing domestic Chinese film ever. In 2014, Mr. Xu produced and starred in “The Great Hypnotist” 《催眠大師》(a suspense thriller film), which achieved outstanding box-office success (with approximately RMB274 million (equivalent to approximately US\$44 million)) and a great reputation in the Chinese suspense thriller film market. As an actor, Mr. Xu has appeared in four of his films, including *No Man’s Land* 《無人區》(2013) (for which he was awarded the best lead actor by the Chinese Film Director Association (中國電影導演協會) in 2014) and the huge box office hit *Breakup Buddies* 《心花路放》(2014).

The executive Directors consider that the Subscription will enable the Group to establish a strategic alliance with Mr. Dong, Mr. Ning and Mr. Xu, and leverage on their experience, expertise and business network in the PRC, in particular relating to the PRC advertising, media and entertainment industry.

In view of extensive experience of Mr. Ning and Mr. Xu, the Company entered into the Service Agreements with them for an initial period of six years from the Completion Date. Pursuant to the Service Agreements, the Director Shareholders have agreed to provide certain services and grant certain rights to the Company on an exclusive basis. Further details of the Services Agreements are out in the sub-section headed “The Service Agreements” below of this letter.

On this basis, the executive Directors consider that the introduction of Mr. Dong, Mr. Ning and Mr. Xu as strategic partners will benefit the Group’s long term development, in particular, the diversification of the Group’s businesses into the media and entertainment industry. Moreover, the Subscription will enable the Group to raise additional funds and improve its financial position and liquidity as well as provide the Company with the financial flexibility to develop its business of advertising, media and entertainment and capture prospective investment opportunities as and when they arise. Accordingly, the executive Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to proceed with (a) the Subscription by entering into the Subscription Agreement, and (b) cooperation with Mr. Ning and Mr. Xu by entering into the Service Agreements.

As stated in the 2014 annual report of the Company, given the uncertainties of the increased volatilities in the global financial markets, the monetary policies in the United States of America and the measures implemented by the Hong Kong Government in the property sector in Hong Kong, the Group would continue to cautiously monitor the business environment and direct resources conservatively to further strengthen and develop its existing businesses. In order to preserve more cash for development of the existing businesses, and the future media and entertainment businesses after Completion, it was agreed between the Company and RFML that advisory fees charged by RFML in relation to the provision of financial advisory services to the Company in respect of the Subscription would be settled by the issue of 30,000,000 Fee Shares to RFML. Since Mr. Dong was introduced to the Company in respect of the Subscription by RFML, the executive Directors also aimed to align interests of RFML with those of the Company by way of issue of the Fee Shares thereby incentivising

LETTER FROM SOMERLEY

RFML to negotiate with Mr. Dong, Mr. Ning and Mr. Xu for favourable terms of the Transactions to maximise Shareholders' value. As advised by the executive Directors, contributions were made by RFML in negotiating for favourable terms of the Transactions such as (1) certain services to be provided and certain rights to be granted by the Director Shareholders to the Company on an exclusive basis for an initial period of six years; and (2) the non-compete undertakings provided by the Director Shareholders in favour to the Company pursuant to the Service Agreements. The executive Directors were satisfied with the quality of services provided by RFML. We understand from the executive Directors and RFML that the advisory fees were agreed after arm's length negotiations and by reference to recent fees charged by RFML for similar types of advisory services. Accordingly, the executive Directors are of the view that the issue of the Fee Shares is in the interests of the Company and the Shareholders as a whole. The Company intends to settle the financial advisory services fee in cash if the resolution in respect of allotment and issue of the Fee Shares is not approved at the SGM. The Company has yet to determine and negotiate with RFML the cash amount in case the advisory services fee is to be settled in cash and the Company will negotiate with RFML if the Shareholders do not approve the allotment and issue of the Fee Shares. Further details of the Fee Shares are set out in the sub-section headed "The Fee Shares" in the section headed "The Subscription Agreement" in the "Letter from the Board" contained in the Circular.

We were informed by RFML that RFML acted as sole financial adviser to China Star Cultural Media Group Limited ("China Star Cultural") (stock code: 8172) and completed the financial advisory work this year. We noted from the circular of China Star Cultural dated 18 February 2015 that certain subscribers (1) subscribed for new ordinary and preferred shares of China Star Cultural resulting in a change of control of China Star Cultural upon completion of subscription; and (2) applied for whitewash waiver. RGL, a fellow subsidiary of RFML, is one of the subscribers in respect of new ordinary and preferred shares of China Star Cultural. Accordingly, deal structures of the subscription of China Star Cultural are similar to that of the Subscription and the Whitewash Waiver. It is stated in the circular of China Star Cultural that RGL is entitled to apply the financial advisory fee (or any part thereof) payable by China Star Cultural to RFML to set off against an equivalent amount of the subscription money payable by RGL in connection with the subscription. Although there is no direct issue of fee shares to RFML by China Star Cultural, it illustrates an alternative way to settle the financial advisory fees. It is stated in the sub-section headed "The Fee Shares" in the section headed "The Subscription Agreement" in the "Letter from the Board" contained in the Circular that the Company intends to settle the financial advisory services fee in cash and will negotiate with RFML in this regard if the Shareholders do not approve the allotment and issue of the Fee Shares. Therefore, the executive Directors consider that the offset arrangement mentioned in China Star Cultural is not expected to be adopted. We were further informed by RFML that RFML provided financial advisory services to KuangChi Science Limited ("KuangChi Science") (stock code: 439) in respect of KuangChi Science's possible investment in Martin Aircraft Company Limited ("Martin Aircraft"), a company listed on the Australian Securities Exchange. The financial advisory services fee was agreed by parties to be settled by issue of ordinary shares of Martin Aircraft. Further details are set out in the announcement of REORIENT Group dated 24 February 2015. Accordingly, RFML accepted the issue of fee shares to settle its financial advisory services fee in the past. As stated in the "Letter from the Board" contained in the Circular, the Group will apply most of the net proceeds from the Subscription for development of movies and television drama series, in which the Group has

LETTER FROM SOMERLEY

not yet been principally engaged before. It is further stated in the “Letter from the Board” contained in the Circular that the advertising, media and entertainment industry is subject to a number of risks. On this basis, we consider that it would be in the interests of the Company to preserve its cash resources to combat the potential risk exposures in developing movies and television drama series by way of issuing the Fee Shares rather than paying the fees in cash.

We agree with the executive Directors’ view that the strength of the Group in the advertising, media and entertainment businesses can be complemented by expertise of Mr. Dong, Mr. Ning and Mr. Xu. Coupled with the Subscription Price which is considered by us to be fair and reasonable as set out in the paragraph headed “Discussion on the Subscription Price” in the sub-section headed “The Subscription, the Whitewash Waiver and the allotment and issue of the Fee Shares” below of this letter, we consider that the Subscription and the entering into of the Service Agreements are in the interests of the Company and the Shareholders as a whole. In view of (i) arm’s length negotiations between the Company and RFML; (ii) avoiding cash outlays; (iii) alignment of interests of RFML with those of the Company by way of issue of Fee Shares thereby incentivising RFML to negotiate with Mr. Dong, Mr. Ning and Mr. Xu for favourable terms of the Transactions to maximise Shareholders’ value; (iv) contributions of RFML in negotiating for favourable terms of the Transactions; and (v) the Subscription Price (being as same as the issue price of HK\$0.4 for each Fee Share) considered by us to be fair and reasonable as set out in the paragraph headed “Discussion on the Subscription Price” in the sub-section headed “The Subscription, the Whitewash Waiver and the allotment and issue of the Fee Shares” below of this letter, we also consider that (a) the allotment and issue of the Fee Shares is in the interests of the Company and the Shareholders as a whole; and (b) the terms of the allotment and issue of the Fee Shares are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM SOMERLEY

II. The Subscription, the Whitewash Waiver and the allotment and issue of the Fee Shares

1. *Principal terms of the Subscription Agreement*

Set out below is a summary of principal terms of the Subscription Agreement. Further details of terms of the Subscription Agreement are set out in the “Letter from the Board” contained in the Circular.

(a) The Subscription Agreement

Date:	14 April 2015
Issuer:	The Company
Subscribers:	(i) Newwood (ii) Numerous Joy (iii) Pacific Wits (iv) Tairong (v) Wise Dragon (vi) Gold Shine (vii) Dayunmony (viii) Concept Best (ix) RGL

Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe for a total of 1,701,416,556 Subscription Shares at an issue price of HK\$0.4 per Subscription Share. Details of the Subscription Shares to be subscribed for by each of the Subscribers are set out in the table in the sub-section headed “The Subscription Shares” in the section headed “The Subscription Agreement” in the “Letter from the Board” contained in the Circular. The Company has also agreed to allot and issue 30,000,000 Fee Shares at HK\$0.4 per Fee Share to RFML for the advisory fees in respect of the financial advisory services with regards to the Subscription. On 13 May 2015, the Company and the Subscribers entered into the Amendment Agreement to amend (i) certain conditions precedent of the Subscription; and (ii) the definition of the Completion Date. All other terms of the Subscription Agreement remain the same.

(b) The Subscription Price

The Subscription Price is HK\$0.4 per Subscription Share. As stated in the sub-section headed “The Subscription Price” in the section headed “The Subscription Agreement” in the “Letter from the Board” contained in the Circular, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers after taking into account the then prevailing market price of the Shares, the average trading volume of the Shares, the Group’s audited consolidated net asset value per Share and the prospects of the Group’s existing business, as well as the anticipated strategic value to be brought to the Company by the Subscribers, including certain services and rights to be provided by the Director

LETTER FROM SOMERLEY

Shareholders to the Company on an exclusive basis for the Service Period pursuant to the Service Agreements. Further details of the Service Agreements are set out in the sub-section headed “The Service Agreements” below of this letter.

(c) The size of the Subscription, rights of the Subscription Shares and the Fee Shares, and the specific mandate

As at the Latest Practicable Date, there were 577,138,852 Shares in issue and (i) the 1,701,416,556 Subscription Shares and (ii) the 30,000,000 Fee Shares represented approximately 294.8% and approximately 5.2% respectively of the existing issued share capital of the Company as at the Latest Practicable Date. Assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and the Fee Shares for the period from the Latest Practicable Date to Completion and the allotment and issue of the Fee Shares, (i) the 1,701,416,556 Subscription Shares and (ii) the 30,000,000 Fee Shares represented approximately 73.7% and approximately 1.3% respectively of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

The Subscription Shares and the Fee Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares and the Fee Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Fee Shares.

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the SGM.

(d) Conditions of the Subscription

Completion of the Subscription is conditional upon satisfaction (or, if applicable, waiver) of certain conditions. A number of conditions, including (1) the obtaining of the approval of the Independent Shareholders for the Whitewash Waiver; (2) the obtaining of approval by Shareholders (other than those who are required by the Listing Rules and the Takeovers Code (where applicable) to abstain from voting) regarding, among other things, the Subscription Agreement and the Service Agreements; and (3) the granting of the Whitewash Waiver by the Executive, cannot be waived in any event. As set out in the “Letter from the Board” of the Circular, the SGM will be convened for the purposes of considering and, if thought fit, approving, among other things, the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps), voting in relation to which at the SGM will be conducted by way of a poll. Further details of conditions of the Subscription are set out in the sub-section headed “Conditions of the Subscription” in the section headed “The Subscription Agreement” in the “Letter from the Board” contained in the Circular.

LETTER FROM SOMERLEY

Completion shall take place after all the conditions precedent of the Subscription Agreement have been fulfilled or waived (as applicable). If the conditions are not fulfilled, satisfied or, if applicable, waived on or before the Long Stop Date (i.e. 1 September 2015 or such other date as may be agreed by the parties to the Subscription Agreement in writing), none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save as to any antecedent breach of the Subscription Agreement. As at the Latest Practicable Date, none of the conditions have been satisfied or waived.

2. *Future intentions of Newwood and parties acting in concert with the Subscribers regarding the Group*

As set out in the section headed “Future intentions of Newwood and parties acting in concert with the Subscribers regarding the Group” in the “Letter from the Board” contained in the Circular, upon Completion, the Company and Newwood intend to continue operating the Company’s existing businesses, which principally include the provision of property agency and related services, securities trading and investment and advertising agency business. As at the Latest Practicable Date, the Company has not entered, nor proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose of or downsize the existing businesses of the Group. In addition, the Company and Newwood will explore future business opportunities in the entertainment and media-related areas, including the planning, production, publication, investment, distribution of television drama series, films and advertising. We are advised by the executive Directors and Newwood that the principal businesses of the Group after Completion will include provision of property agency and related services, securities trading and investment, advertising agency and entertainment and media-related businesses. As at the Latest Practicable Date, save for the transactions contemplated under the Shareholders Agreement and the Service Agreements, (a) no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement; (b) the Company and Newwood have only held exploratory discussions at this stage; and (c) no agreements for any such possible future transactions or arrangements have been entered into. As at the Latest Practicable Date, save as disclosed above, Newwood and the other Subscribers have expressed that they have no intention to make any major changes to the continued employment of the employees of the Company and its subsidiaries, nor have they considered any redeployment of the fixed assets of the Company.

The Subscribers shall be entitled to nominate any person to the Board for approval to be appointed as Director upon Completion as stipulated under the Subscription Agreement. The Subscribers intend to nominate, among others, Mr. Dong and the Director Shareholders to the Board for approval to be appointed as Directors under the terms of the Subscription Agreement.

LETTER FROM SOMERLEY

Mr. Dong, Newwood and the Director Subscribers have entered into the Shareholders Agreement, which sets forth certain rights and obligations of each of the parties in respect of the governance of the Company following Completion. Further details of the Shareholders Agreement are set out in the sub-section headed “The Shareholders Agreement” in the section headed “Information on the Subscribers” in the “Letter from the Board” contained in the Circular.

3. Media and entertainment business

Industry overview

As set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, according to Mr. Dong, “The Notice of the Ministry of Finance, the National Development and Reform Commission, the Ministry of Land and Resources, and Other Departments on Several Economic Policies for Supporting the Development of Films” (“關於支持電影發展若干經濟政策的通知”) jointly issued by seven ministries, namely, the Ministry of Finance, the Ministry of Land and Resources, the People’s Bank of China, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development, the State Administration for Taxation, and the General Administration of Press, Publication, Radio, Film and Television in 2014, has brought another round of growth momentum to the Chinese film industry development, by supporting the film industrial development in five aspects, namely, financial subsidies, tax incentives, financial support, land policies and implementation by and coordination among various administrations. The Directors are of the view that the advertising, media and entertainment industry is one of the fastest growing industries in the PRC and it is in the interests of the Company to diversify its business into this industry.

Relevant rules and regulations

Various rules and regulations apply to the film and other media productions in the PRC, including, among other things, obtaining of licences. Further details of the relevant rules and regulations about the advertising, media and entertainment industry are set out in the sub-section headed “Brief discussion about the relevant rules and regulations about the advertising, media and entertainment industry” in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular. As set out in the aforesaid sub-section in the “Letter from the Board”, it is the current intention of the Company that, after Completion, it will rely on third party service providers who hold the required licences for production and distribution of films and other media content for the circulation of the productions which the Company invests in, including the Director Shareholders’ Productions. Should the Company engage in any activities in the future which require that it procures any of the foregoing licences or other licences, approvals or consents from relevant government authorities, the Company will do the same to comply with applicable laws. As set out in the sub-section headed “Brief discussion about the relevant rules

LETTER FROM SOMERLEY

and regulations about the advertising, media and entertainment industry” in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, the Company is confident that it will be able to identify appropriate and reliable third party service providers and negotiate suitable commercial arrangements with such providers to provide the necessary services to the Company. Further details are set out in the aforesaid sub-section in the “Letter from the Board” contained in the Circular.

Risk factors

As set out in the sub-section headed “Risk factors relating to the advertising, media and entertainment industry” in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, given that the Company will invest in a limited number of films, the success or failure of these films could have a significant impact on the Company’s results of operations in both the year of release and in the future. In general, the economic success of a film is largely determined by the appeal of the film to a broad audience and by the effectiveness of the marketing of the film. The Company cannot precisely predict the economic success of any of the films the Company invests in because acceptance of the film by the public cannot be predicted with certainty. If the Company does not accurately judge audience acceptance of a film in selecting the films it invests in, the Company may not recoup its costs or realise its anticipated profits. Accordingly, the Company’s revenues and results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

According to Mr. Dong, the film industry is fragmented and highly competitive. Competitors include not only privately-owned companies, but also state-owned enterprises, which have historically dominated and in recent years continued to play a prominent role in the PRC film industry. The number of films invested by competitors may create an oversupply of films in the market and make it more difficult for the films the Company invests in to succeed or to be successfully exhibited in movie theaters at desirable times.

In addition, according to Mr. Dong, in many parts of the world, film piracy is extensive and is made easier by technological advances and the conversion of films into digital formats. In particular, unauthorised copying and piracy are prevalent in the PRC and other countries in Asia, whose legal systems may make it difficult for the Company to enforce its intellectual property rights. As a result, the creation, transmission and sharing of high quality unauthorised copies of films in or prior to theatrical release has proliferated. This proliferation will likely have an adverse effect on the Company’s business, because these products reduce the revenue the Company to be received from its investment in films.

LETTER FROM SOMERLEY

Business cycle

As set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, according to Mr. Dong, the business cycle of film production and investment involves five stages (namely development, pre-production, production, post-production and distribution stages). Details of the work to be performed at each stage and the approximate amount of time each stage takes are set out in the aforesaid section in the “Letter from the Board” contained in the Circular and are summarised below:

1. Development

The development stage involves, among other things, (i) selection of a story, which may come from a book, a play, another film, a true story, a comic book, a novel, or an original idea, etc; (ii) selecting a screenwriter and preparing a synopsis of the film; (iii) writing a screenplay; (iv) preparing a pitch and presenting it to potential investors; (v) negotiation of the terms of the investment and the film production; and (vi) entering into definitive agreements in connection with the film. This stage usually takes approximately one month to three months.

2. Pre-production

In the pre-production stage, every step of creating the film is carefully designed and planned, which involves, among other things, pre-visualisation of the film, preparation of a production budget and hiring of a crew, which may include storyboard artists, production manager, location manager, production designer, costume designer, make-up and hair designer, casting director, cinematographer and director of audiography. This stage usually takes approximately one month to two months.

3. Production

In the production stage, the film is created and recorded. Set construction, dressing and lighting may take many hours or even days. While the crew prepares their equipment, the actors are dressed in their costumes and complete their hair and make-up preparations. The actors rehearse with the film director, the camera man and sound crews. Finally, the film is recorded. This stage usually takes approximately three months.

4. Post-production

In the post-production stage, the film is assembled by the film editor. The film shots and production sounds are edited, music tracks and songs are composed and recorded, sound effects are designed and recorded and any computer-graphic visual effects are digitally added. This stage usually takes approximately three months.

LETTER FROM SOMERLEY

5. Distribution

In the distribution stage, the film is released to cinemas, directly to consumer media (such as DVD, VCD, VHS and Blu-ray) or directly downloaded from a digital media provider. Film distributors usually release a film with a launch party, a red-carpet premiere, press releases, interviews with the press, press preview screenings and film festival screenings. The investor(s) of the film will share the profits or losses generated from the distribution of such film. This stage usually takes approximately three months to six months.

It is expected that the Company will be most involved in the development stage, as the Director Shareholders or other film directors will prepare their proposal with respect to their proposed production and present the same to the Board or a designated board committee for consideration (in the case of the proposed Director Shareholders' Productions, in accordance with the procedures set out in the sub-section headed "Director Shareholders' Proposal" in the section headed "The Service Agreements — continuing connected transactions" in the "Letter from the Board" contained in the Circular). In determining whether to invest in any proposed production, the Board or the designated board committee may consider the following factors, among others:

(1) product consideration

- target audience in terms of size, clarity and appeal
- track record of the film director, talent and writer
- quality of script

(2) revenue consideration

- box office potential
- potential of distribution through other media
- ancillary revenue potential such as books, merchandising and soundtrack albums

(3) cost consideration

- size of budget
- risk of over-budget

LETTER FROM SOMERLEY

- (4) risk/reward consideration
- risk itemisation and evaluation
 - upside potential
 - overall risk to return

Should the Board or the designated board committee decide to invest in a proposed production, the terms of the investment and production will be agreed between the Company and the relevant Director Shareholder or other film directors.

Company's future plans and funding needs

As set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, the Company has the following preliminary plans in relation to the advertising, media and entertainment business as at the Latest Practicable Date:

- firstly, invest in the Director Shareholders’ Productions;
- secondly, invest in three to four productions from independent youth film directors to be identified by the Company, which productions may be distributed through various media avenues in addition to cinema distribution, such as television and internet platforms;
- thirdly, participate in co-investments or joint ventures with other media companies in developing film and media contents;
- fourthly, acquire and develop copyrights to media content which would be used for future productions; and
- lastly, seek opportunities to build partnership with online or internet channel operators to expand the avenues which the Company may distribute its productions.

The above are only preliminary plans and the Company may adjust and refine its plans and strategy after further internal discussions and conducting further analyses on the costs and benefits of each of the above proposed course of action following Completion. As at the Latest Practicable Date, save for the Service Agreements, no discussions have been carried on with any third parties, no contracts or other arrangements have been entered into with any third parties, and no concrete business plan or budget has been prepared in relation to the proposed plans above. As at the Latest Practicable Date, the Company had not set timeframe for the implementation of these plans.

LETTER FROM SOMERLEY

As set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, the Directors are of the view that the proceeds from the Subscription would provide sufficient funding to stabilise and maintain the Group’s existing businesses as well as to pursue its plans to develop its advertising, media and entertainment business. If following further consideration and analysis, the Board considers that the financial resources raised from the Subscription are insufficient, the Board may pursue other fund raising methods which are suitable for the specific needs of the Company existing at such time.

Discussion

As discussed in the paragraph headed “Future intentions of Newwood and parties acting in concert with the Subscribers regarding the Group” above of this sub-section, the Company and Newwood intend to continue operating the Company’s existing businesses upon Completion, and they will also explore future business opportunities in the entertainment and media-related areas, including the planning, production, publication, investment, distribution of television drama series, films and advertising.

Taking into account the PRC governmental support of the PRC film industry set out in “The Notice of the Ministry of Finance, the National Development and Reform Commission, the Ministry of Land and Resources, and Other Departments on Several Economic Policies for Supporting the Development of Films” (“關於支持電影發展若干經濟政策的通知”) together with the increased living standards and spending power of the population in the PRC, we are of the view that the Group’s decision to diversify into the media and entertainment industry is reasonable.

Shareholders and investors of the Company should note that there are risk factors in relation to the Group’s diversification into the media and entertainment industry as set out above and in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular. In view of (1) extensive experience and track record of Mr. Dong, Mr. Ning and Mr. Xu; and (2) the terms of the Service Agreements, we consider that the Group can draw on their expertise to mitigate these risks.

LETTER FROM SOMERLEY

4. Financial information and prospects of the Group

(a) Financial performance

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2012 (as extracted from the Company's 2013 annual report), 2013 and 2014 (both of 2013 and 2014 results having been extracted from the Company's 2014 annual report). Further details of the results and other financial information of the Group are set out in Appendix I to the Circular.

	For the year ended 31 December		
	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated) <i>(Note)</i>
Continuing operations			
Revenue	203,803	98,763	112,711
Cost of sales and service rendered	<u>(173,732)</u>	<u>(72,515)</u>	<u>(80,285)</u>
Gross profit	30,071	26,248	32,426
Investment and other income	1,712	18,887	6,877
Other losses and gains	(2,322)	942	3,372
Reversal of provision for losses on litigation	—	86,500	—
Selling and distribution costs	(4,170)	(1,041)	(1,503)
Administrative expenses	(34,756)	(48,247)	(38,819)
Impairment loss on goodwill	(1,219)	(20,941)	(29,893)
Amortisation of intangible assets	—	(9,652)	(16,927)
Impairment loss on intangible assets	—	(24,932)	(19,986)
Finance costs	<u>(2,112)</u>	<u>(2)</u>	<u>(9)</u>
(Loss) profit before tax from continuing operations	(12,796)	27,762	(64,462)
Income tax (expense) credit	<u>(348)</u>	<u>8,552</u>	<u>8,801</u>
(Loss) profit for the year from continuing operations	(13,144)	36,314	(55,661)
Discontinued operation (Note)			
Loss for the year from discontinued operation	<u>—</u>	<u>(1,120)</u>	<u>(1,398)</u>
(Loss) profit for the year	(13,144)	35,194	(57,059)

LETTER FROM SOMERLEY

	For the year ended 31 December		
	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated) <i>(Note)</i>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operation	<u>(1,055)</u>	<u>359</u>	<u>98</u>
Total comprehensive (expense) income for the year	<u><u>(14,199)</u></u>	<u><u>35,553</u></u>	<u><u>(56,961)</u></u>
(Loss) profit attributable to owners of the Company			
— from continuing operations	(13,144)	36,314	(55,661)
— from discontinued operation	<u>—</u>	<u>(672)</u>	<u>(839)</u>
(Loss) profit for the year attributable to owners of the Company	<u>(13,144)</u>	<u>35,642</u>	<u>(56,500)</u>
Loss attributable to non-controlling interests			
— from continuing operations	—	—	—
— from discontinued operation	<u>—</u>	<u>(448)</u>	<u>(559)</u>
Loss for the year attributable to non-controlling interests	<u>—</u>	<u>(448)</u>	<u>(559)</u>
	<u><u>(13,144)</u></u>	<u><u>35,194</u></u>	<u><u>(57,059)</u></u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company	(14,199)	36,001	(56,402)
Non-controlling interests	<u>—</u>	<u>(448)</u>	<u>(559)</u>
	<u><u>(14,199)</u></u>	<u><u>35,553</u></u>	<u><u>(56,961)</u></u>

Note: As set out in the Company's 2013 and 2014 annual reports, the Group disposed of its entire 60% equity interest in Yanyan Force Limited ("Yanyan Force") on 6 August 2013. The operation of Yanyan Force was toy products trading and represented the then Group's toy products trading segment for segment reporting purposes. Accordingly, the results of Yanyan Force were presented separately as discontinued operation for the year ended 31

LETTER FROM SOMERLEY

December 2013, and comparative figures for 2012 had been restated to re-present the toy products trading operation as a discontinued operation. Details are set out in the Company's 2013 and 2014 annual reports.

(i) Revenue

Approximately 89.37%, 95.88% and 99.98% of the revenue for the year ended 31 December 2012, 2013 and 2014 were contributed by the segment of property agency in Hong Kong respectively.

For the year ended 31 December 2014, the Group reported a revenue of approximately HK\$203.8 million, representing an increase of approximately HK\$105.0 million or approximately 106.4% when compared with that of 2013. This increase in the Group's revenue for the year ended 31 December 2014 was mainly due to increase in revenue from the property agency segment in Hong Kong of approximately HK\$109.1 million, which was due to active launches of new residential projects by real estate developers and the release of pent-up demand from end users. We understand from the executive Directors that the release of the pent-up demand was mainly driven by (i) the property developers offering attractive prices and incentives, including subsidies to cover the extra stamp duty; and (ii) the relaxation of double stamp duty proposal announced in May 2014. Gross profits increased by approximately HK\$3.8 million or approximately 14.6% from approximately HK\$26.2 million for the year ended 31 December 2013 to approximately HK\$30.1 million for the year ended 31 December 2014, principally due to the increase in property sales transactions in Hong Kong.

The gross profit margin for the year ended 31 December 2014 was approximately 14.8%, representing a decrease of approximately 11.8 percentage points from approximately 26.6% for the year ended 31 December 2013. The decrease in gross profit margin for the year ended 31 December 2014 was due to high commission paid to property agents, incentives and rebates offered to buyers to boost the sales.

The Group recorded revenue of approximately HK\$98.8 million for the year ended 31 December 2013, representing a decrease of approximately HK\$13.9 million or approximately 12.4%, as compared to the Group's revenue for the year ended 31 December 2012 of approximately HK\$112.7 million. Gross profits decreased by HK\$6.2 million from approximately HK\$32.4 million for the year ended 31 December 2012 to approximately HK\$26.2 million for the year ended 31 December 2013, which was principally due to demand suppressing measures by both the governments of Hong Kong and the PRC curbing property sales in Hong Kong and the PRC and the upward pressure on costs.

LETTER FROM SOMERLEY

(ii) Investment and other income, and other losses and gains

The Group recorded investment and other income of approximately HK\$1.7 million for the year ended 31 December 2014, representing a significant decrease of approximately HK\$17.2 million or approximately 90.9% as compared with that of approximately HK\$18.9 million for the year ended 31 December 2013. Such decrease was mainly due to the absence of gain on disposals of subsidiaries of approximately HK\$5.1 million and refund of litigation cost of approximately HK\$7.4 million recorded for the year ended 31 December 2013, and a decrease in interest on debt securities of approximately HK\$2.9 million in 2014. For the year ended 31 December 2012, the Group's investment and other income was approximately HK\$6.9 million.

Other losses for the year ended 31 December 2014 was approximately HK\$2.3 million, which was mainly attributable to loss on disposals of subsidiaries of approximately HK\$1.3 million and net loss on investments held for trading of approximately HK\$1.3 million. Other gains for the year ended 31 December 2012 and 2013 were approximately HK\$3.4 million and HK\$0.9 million respectively.

(iii) Reversal of provision for losses on litigation

Reversal of provision for losses on litigation amounted to HK\$86.5 million was recorded for the year ended 31 December 2013. As stated in the Company's 2013 annual report, on 8 October 2004, a writ of summons was filed by a former director of the Company (the "Plaintiff"), against the Company in respect of loans due from two former subsidiaries of the Company. After delivery of the judgment of the Court of Final Appeal, the Directors had sought proper legal advice and considered that the Plaintiff did not have any further valid claim against the Company. Therefore, the provision for losses on litigation previously made of HK\$86.5 million was reversed in the consolidated financial statements during the year ended 31 December 2013.

(iv) Expenses

Selling and distribution costs amounted to approximately HK\$4.2 million for the year ended 31 December 2014, an approximately 300.6% increase from approximately HK\$1.0 million for the year ended 31 December 2013. This increase was mainly due to market research conducted and consultation in relation to the Group's business plan for expanding property agency business in overseas. For the year ended 31 December 2013, selling and distribution costs were approximately HK\$1.0 million, representing a decrease of approximately HK\$0.5 million or approximately 30.7% as compared to the amount of approximately HK\$1.5 million for the year ended 31 December 2012.

Administrative expenses decreased by approximately 28.0% from approximately HK\$48.2 million for the year ended 31 December 2013 to approximately HK\$34.8 million for the year ended 31 December 2014. This

LETTER FROM SOMERLEY

decrease was mainly attributable to the decrease in directors' remuneration, staff costs and legal and professional fees. Administrative expenses increased from approximately HK\$38.8 million for the year ended 31 December 2012 to approximately HK\$48.2 million recorded for the year ended 31 December 2013, representing an increase of approximately 24.3%.

Finance costs amounted to approximately HK\$2.1 million for the year ended 31 December 2014, representing an increase of approximately HK\$2.1 million compared to the year ended 31 December 2013. Such increase was primarily attributable to interest expenses of the funding required for purchasing the first-hand properties on behalf of customers.

(v) Amortisation of and impairment loss on goodwill and/or intangible assets

Impairment loss on goodwill amounted to approximately HK\$1.2 million for the year ended 31 December 2014. The carrying amount of the cash-generating units of property agency in Hong Kong was determined to be higher than its recoverable amount and an impairment loss on goodwill amounted to approximately HK\$1.2 million was recorded for the year ended 31 December 2014. Comparing to the amount of approximately HK\$20.9 million for the year ended 31 December 2013, decrease in impairment loss on goodwill for the year ended 31 December 2014 representing a decrease of approximately HK\$19.7 million or approximately 94.2%.

No amortisation of intangible assets and impairment loss on intangible assets were recorded for the year ended 31 December 2014, as the intangible assets representing the customer relationship in relation to the property agency business in the PRC were fully impaired during the year ended 31 December 2013.

(vi) (Loss)/profit for the year

The Group recorded a loss of approximately HK\$13.1 million for the year ended 31 December 2014, compared to a profit of approximately HK\$35.2 million for the year ended 31 December 2013. Such loss for the year ended 31 December 2014 was mainly attributable by (a) no reversal of provision for losses on litigation was recorded for the year ended 31 December 2014, as compared to HK\$86.5 million recorded for the year ended 31 December 2013; and (b) a decrease in investment and other income amounted to approximately HK\$17.2 million as compared to that in 2013; partly offset by (i) no impairment loss on intangible assets was recorded for the year ended 31 December 2014, as compared to approximately HK\$24.9 million recorded for the year ended 31 December 2013; (ii) a decrease in impairment loss on goodwill by approximately HK\$19.7 million in 2014 as compared to the amount in 2013; (iii) a decrease in administrative expenses amounted to approximately HK\$13.5 million as compared to that for the year ended 31 December 2013; and (iv) no amortisation of intangible assets was recorded for the year of 2014, as compared to approximately HK\$9.7 million recorded for the year of 2013.

LETTER FROM SOMERLEY

(b) Financial position

Set out below are the audited consolidated statement of financial position of the Group as at 31 December 2012 (as extracted from the Company's 2013 annual report), 2013 and 2014 (both of 2013 and 2014 financial position having been extracted from the Company's 2014 annual report). Further details of the financial position of the Group as at those dates and other financial information are set out in Appendix I to the Circular.

	As at 31 December		
	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	910	1,845	3,095
Note receivable	—	9,827	9,136
Loan receivable	80,000	—	—
Goodwill	4,395	7,059	28,000
Intangible asset	—	—	34,055
	<u>85,305</u>	<u>18,731</u>	<u>74,286</u>
CURRENT ASSETS			
Trade and other receivables	155,759	75,771	42,408
Investments held for trading	—	41,639	76,715
Financial assets at fair value through profit or loss	—	9,150	—
Bank balances and cash	231,917	120,238	108,112
	<u>387,676</u>	<u>246,798</u>	<u>227,235</u>
CURRENT LIABILITIES			
Trade and other payables	129,399	56,666	136,527
Loan payable	6,000	—	—
Tax payable	1,472	1,180	1,884
Obligations under a finance lease	—	—	113
	<u>136,871</u>	<u>57,846</u>	<u>138,524</u>
NET CURRENT ASSETS	<u>250,805</u>	<u>188,952</u>	<u>88,711</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>336,110</u>	<u>207,683</u>	<u>162,997</u>

LETTER FROM SOMERLEY

	As at 31 December		
	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITY			
Deferred tax liabilities	<u>—</u>	<u>—</u>	<u>8,514</u>
NET ASSETS	<u>336,110</u>	<u>207,683</u>	<u>154,483</u>
CAPITAL AND RESERVES			
Share capital	5,771	3,208	2,678
Reserves	<u>330,339</u>	<u>204,475</u>	<u>157,056</u>
Equity attributable to owners of the Company	336,110	207,683	159,734
Non-controlling interests	<u>—</u>	<u>—</u>	<u>(5,251)</u>
TOTAL EQUITY	<u>336,110</u>	<u>207,683</u>	<u>154,483</u>

(i) Major assets

Assets of the Group mainly included (a) bank balances and cash; (b) trade and other receivables; and (c) loan receivable. As at 31 December 2014, the Group had total assets of approximately HK\$473.0 million, representing an increase of approximately 78.1% as compared to total assets of approximately HK\$265.5 million as at 31 December 2013. The Group's bank balances and cash amounted to approximately HK\$231.9 million as at 31 December 2014, which accounted for approximately 49.0% of the total assets, representing an increase of approximately 92.9% as compared to that as at 31 December 2013. Trade and other receivables amounted to approximately HK\$155.8 million as at 31 December 2014, which accounted for approximately 32.9% of the total assets, representing an increase of approximately 105.6% as compared to that as at 31 December 2013. Loan receivable amounted to HK\$80.0 million as at 31 December 2014. As stated in the Company's 2014 annual report, on 30 December 2014, the Group granted a loan with the principal amount of HK\$80.0 million to Mastermind Capital Limited, a company with its shares listed on the Stock Exchange, for a term of two years. No loan receivable was recorded as at 31 December 2013. As the Group disposed of all its investments held for trading during the year ended 31 December 2014, no investment held for trading was recorded as at 31 December 2014, as compared to the amount of approximately HK\$41.6 million recorded as at 31 December 2013. During the year ended 31 December 2014, the unlisted convertible bonds were disposed of, thus no financial assets at fair value through profit or loss were recorded as at 31 December 2014, compared to the amount of approximately HK\$9.2 million as at 31 December 2013. No intangible asset was recorded as at 31 December

LETTER FROM SOMERLEY

2013 and 2014 because the intangible asset (representing the contracted and uncontracted customer relationship in relation to the property agency business in the PRC) was fully impaired during the year ended 31 December 2013.

(ii) Major liabilities

Liabilities of the Group were mainly comprised of trade and other payables. As at 31 December 2014, the Group's total liabilities amounted to approximately HK\$136.9 million, representing an increase of approximately 136.6% as compared to approximately HK\$57.8 million as at 31 December 2013. Trade and other payables amounted to approximately HK\$129.4 million, which accounted for approximately 94.5% of the total liabilities as at 31 December 2014, and represented an increase of approximately 128.4% comparing to the amount as at 31 December 2013.

(c) *Prospects of the Group*

As set out in parts (a) and (b) above, the revenue of the Group increased by approximately 106.4% from 2013 to 2014. However, the gross profit of the Group increased by only approximately 14.6% from 2013 to 2014. The increase of gross profit in 2014 was significantly lower than that of the increase of the 2014 revenue. This was mainly because of the drop of the gross profit margin of the Group by approximately 11.8 percentage points from approximately 26.6% for the year ended 31 December 2013 to approximately 14.8% for the year ended 31 December 2014, which was due to high commission paid to property agents, incentives and rebates offered to buyers to boost the sales. We were advised by the executive Directors that among the revenue of the Group, (1) approximately 99.98% and 0.02% of the revenue were generated from property agency segment in Hong Kong and the PRC respectively for the year ended 31 December 2014; and (2) approximately 95.88% and 4.12% of the revenue were generated from property agency segment in Hong Kong and the PRC respectively for the year ended 31 December 2013. The executive Directors consider that the performance of the property agency segment of the Group has been adversely affected by the Hong Kong Government's demand curb measures in recent years. Furthermore, the executive Directors are of the view that the possible interest rate hikes in the United States of America would increase the cost of borrowing in Hong Kong and further elevate the barrier for homebuyers. The executive Directors take the view that the property agency business in both Hong Kong and the PRC will continue to face the challenges brought about by the unfavourable market conditions such as supply-demand imbalance. Given the uncertainties of the increased volatilities in the global financial markets, the monetary policies in the United States of America and the measures implemented by the Hong Kong Government in the property sector in Hong Kong, the Group will continue to cautiously monitor the business environment and direct resources conservatively to further strengthen and develop its existing businesses.

LETTER FROM SOMERLEY

5. *Analysis of the historical price performance of the Shares*

(a) *Comparison of the Subscription Price*

Trading in the Shares was suspended with effect from 1:00 pm on 1 April 2015 (the “Undisturbed Trading Day”) with a closing Share price of HK\$1.210 per Share prior to the suspension. The Company published an announcement (the “Inside Information Announcement”) in relation to possible subscription of new Shares involving possible application of whitewash waiver after trading hours on 13 April 2015. Trading in the Shares resumed on 14 April 2015 (i.e. the Last Trading Day) and the Shares closed at HK\$1.920 per Share on that day, representing an increase of approximately 58.7% compared to the closing Share price of HK\$1.210 per Share on the Undisturbed Trading Day. In addition, the trading volume of the Shares (as quoted on the Stock Exchange) on the Last Trading Day was approximately 42.1 million, much higher than the trading volume of approximately 0.2 million on the Undisturbed Trading Day.

Given the significant increases in the closing Share price and trading volume on the Last Trading Day after the issue of the Inside Information Announcement, we have also compared the Subscription Price with the closing Share prices on or before the Undisturbed Trading Day.

The Subscription Price of HK\$0.4 per Subscription Share represents:

- (i) a discount of approximately 66.9% to the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on the Undisturbed Trading Day;
- (ii) a discount of approximately 66.8% to the average closing price of HK\$1.206 per Share for the last 5 consecutive trading days up to and including the Undisturbed Trading Day;
- (iii) a discount of approximately 65.7% to the average closing price of HK\$1.167 per Share for the last 10 consecutive trading days up to and including the Undisturbed Trading Day;
- (iv) a discount of approximately 79.2% to the closing price of HK\$1.920 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 70.4% to the average closing price of HK\$1.350 per Share for the last 5 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 68.0% to the average closing price of HK\$1.249 per Share for the last 10 consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 88.1% to the closing price of HK\$3.370 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

LETTER FROM SOMERLEY

(viii) a discount of approximately 31.0% to the audited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.58 as at 31 December 2014, which is calculated by dividing the audited consolidated net assets attributable to the Shareholders as at 31 December 2014 of approximately HK\$336.11 million by the number of issued Shares as at 31 December 2014 of approximately 577.14 million.

Based on the net proceeds from the Subscription of approximately HK\$676.7 million (assuming the approval for the allotment and issue of the Fee Shares to be obtained at the SGM), the Subscription Price will represent a net price of approximately HK\$0.398 per Subscription Share, which represents a discount of approximately 67.1% to the closing Share price of HK\$1.210 per Share as quoted on the Stock Exchange on the Undisturbed Trading Day.

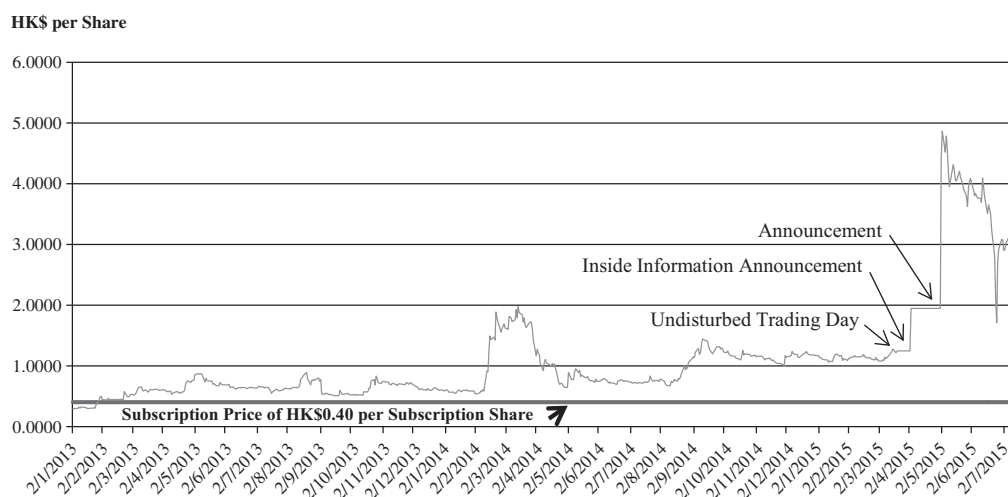
As set out above, the discounts of the Subscription Price to the closing Share prices on and before the Undisturbed Trading Day (i.e. before any news in relation to the possible subscription and whitewash waiver set out in the Inside Information Announcement) range from approximately 65.7% to 66.9%. We consider that the surge of closing Share price and trading volume after publication of the Inside Information Announcement (i.e. 14 April 2015, being the Last Trading Day) is likely to be due to market speculation of the Subscription. On this basis and given the significant increases in the closing Share price and trading volume on the Last Trading Day, we consider that the discounts of the Subscription Price to the closing Share prices on and before the Undisturbed Trading Day are more relevant to the Independent Shareholders for the purpose of comparing the Share prices with the Subscription Price.

LETTER FROM SOMERLEY

(b) *Share price performance*

The chart below illustrates the daily closing Share price for the period from 1 January 2013 up to and including the Latest Practicable Date (the “Review Period”).

Share price chart



Source: Bloomberg

During the period from 1 January 2013 to 14 February 2014, the closing Share prices ranged between HK\$0.245 per Share to HK\$0.850 per Share. On 14 February 2014, the Shares closed at a price of HK\$0.540 per Share. The closing Share price surged to HK\$0.870 per Share on 17 February 2014, representing an increase of approximately 61.1% as compared to that on 14 February 2014 of HK\$0.540 per Share. On 17 February 2014, the Company published an announcement in relation to the unusual price and trading volume movements of the Shares, in which the Board confirmed that, among other things, it was not aware of any reasons for the price and volume movements. The closing Share prices showed an upward trend after 17 February 2014 and reached HK\$1.950 per Share on 20 March 2014. The Shares closed at HK\$1.690 per Share on 2 April 2014. After trading hours on 2 April 2014, the Company published an announcement in relation to a change in substantial Shareholder with details regarding, among other things, (i) Mr. Cheung Kwok Fan, being an executive Director as at the Latest Practicable Date acquiring the Shares through his wholly-owned company Thought Diamond International Limited; and (ii) Mr. Cheung Kwok Fan entering into a conditional sale and purchase agreement to dispose of the entire issued share capital of Thought Diamond International Limited to a wholly-owned subsidiary of Eternity. The closing Share prices showed a downward trend afterwards and the Shares closed at HK\$0.600 per Share on 5 May 2014. On 10 October 2014, the Company announced that as the conditional sale and purchase agreement could not become unconditional and Mr. Cheung Kwok Fan remained as the legal and beneficial owner of Thought Diamond International Limited. During the period from 6 May 2014 to 31 March 2015, the closing Share prices fluctuated in a range of between HK\$0.600 per Share and HK\$1.410 per Share.

LETTER FROM SOMERLEY

On 1 April 2015 (i.e. the Undisturbed Trading Day), trading in the Shares was suspended with effect from 1:00 pm on the same day pending the release of the Inside Information Announcement. The Shares were closed at HK\$1.210 per Share on the Undisturbed Trading Day. The Inside Information Announcement was published on 13 April 2015 and trading in the Shares resumed on 14 April 2015 (i.e. the Last Trading Day). The Share price surged and closed at HK\$1.920 per Share on the Last Trading Day, representing an increase of approximately 58.7% as compared to the closing Share price of HK\$1.210 per Share on the Undisturbed Trading Day.

Trading in the Shares was subsequently suspended from 15 April 2015 pending the release of the Announcement. On 13 May 2015 (after trading hours), the Company published the Announcement and trading in the Shares resumed on 14 May 2015. The Share price surged and closed at HK\$4.410 per Share on 14 May 2015, representing an increase of approximately 129.7% as compared to the closing Share price of HK\$1.920 per Share on the Last Trading Day.

The Shares closed at a price of HK\$3.370 per Share as at the Latest Practicable Date. The Subscription Price represents a discount of approximately 88.1% to the closing Share price as at the Latest Practicable Date.

(c) *Comparison of market value of the Company*

We have compared the closing market capitalisation of the Company on (i) the Undisturbed Trading Day; and (ii) the Latest Practicable Date.

Closing market capitalisation of the Company	<i>HK\$'million</i> <i>(approximate)</i>	
Closing market capitalisation of the Company on the Undisturbed Trading Day	698.3 <i>(Note)</i>	A
Closing market capitalisation of the Company on the Latest Practicable Date	1,945.0 <i>(Note)</i>	B
Value premium	1,246.7	C=B-A

Note: Source from Bloomberg

During the period between the Undisturbed Trading Day and the Latest Practicable Date, save for the Inside Information Announcement and the Announcement, the Company published a number of routine announcements including notice of annual general meeting, poll results of annual general meeting and delay in despatch of the Circular on the website of the Stock Exchange. Therefore, we consider it to be appropriate to assume that the change in the Company's market value during the above period is primarily due to the announcement of the Subscription.

LETTER FROM SOMERLEY

As set out in part (b) above, the Subscription Price is below the closing Share prices for most of the trading days during the Review Period. However, the closing Share price increased significantly from HK\$1.210 per Share on the Undisturbed Trading Day to HK\$1.920 per Share on the Last Trading Day by approximately 58.7% (i.e. after the publication of the Inside Information Announcement) and from HK\$1.920 per Share on the Last Trading Day to HK\$4.410 per Share on 14 May 2015 after the publication of the Announcement. The increase is likely to be related to market expectations of the benefits that will be brought to the Group as a result of the Subscription and the Service Agreements. As also shown in the table above, the closing market capitalisation of the Company on the Latest Practicable Date is approximately HK\$1,945.0 million, representing a premium of approximately HK\$1,246.7 million (or approximately 178.5%) over the closing market capitalisation of the Company on the Undisturbed Trading Day. This not only shows the positive market reaction upon the announcement of the Subscription, but also demonstrates the perceived valuation of the Company by the market after considering terms of the Subscription and the Service Agreements, and benefits to be accrued to the Group from the Subscription. There is no assurance that the closing Share price will remain at such a high level or the value premium can be maintained if the Subscription (together with the transactions contemplated under the Service Agreements) does not proceed or cannot be completed for any reason.

6. Comparable issues

As set out in the section headed “Effect on shareholding structure” in the Announcement and in the “Letter from the Board” contained in the Circular, the Subscribers did not hold any Shares as at the date of the Announcement and the Latest Practicable Date. Upon Completion and allotment and issue of the Fee Shares, the Subscribers and their respective parties acting in concert will in aggregate be interested in 75% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Fee Shares during the period from the Latest Practicable Date to Completion and allotment and issue of the Fee Shares) resulting in a change in control of the Company. Newwood (on its behalf and on behalf of the other Subscribers) has made an application to the Executive for the Whitewash Waiver.

We have performed an analysis of comparable issues by searching the website of the Stock Exchange on a best efforts basis for all share issues (the “Comparable Issues”) announced since 1 January 2013 and up to the date immediately prior to the Latest Practicable Date by companies listed on the Stock Exchange (a) with the application of a whitewash waiver; (b) involving placing/subscription/issue of new shares of the listed companies (where the shares were to be listed on the Stock Exchange) in cash to/by a subscriber resulting in the subscriber group and its controlling shareholders, which did not hold any shares of such listed companies prior to such placing/subscription/issue, (i) holding more than 30% of the voting rights and becoming the single largest shareholder of such listed companies as a result of the placing/subscription/issue of new shares of the listed companies, and (ii) leading to a change in control of such listed companies upon completion of the placing/subscription/issue; and (c) the whitewash waiver having been

LETTER FROM SOMERLEY

approved by the respective independent shareholders of the listed companies. We have excluded (i) placing/subscription/issues announced by listed companies which, as at the date of announcement and/or currently, were/are under prolonged suspension; (ii) placing/subscription/issues involving only convertible securities; and (iii) transactions involving open offers or rights issues of new shares, which are usually made at discounts under open offers or rights issues. It should be noted that all the subject companies involved in the Comparable Issues may have different principal activities, market capitalisation, profitability and financial positions as compared with those of the Company. Circumstances leading to the subject companies to proceed with the placing/subscription/issue may also be different from that of the Company. Accordingly, the Comparable Issues are set out for the Independent Shareholders' reference only.

To the best of our knowledge, the Comparable Issues represent all placing/subscription/issues meeting the said criteria above. The table below illustrates the details of the Comparable Issues:

Date of announcement	Company name	Premium/(discount) of placing/ subscription/issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> %
		<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
8 May 2013	Greenland Hong Kong Holdings Limited (formerly known as "SPG Land (Holdings) Limited" ("SPG Land")) (stock code: 337) <i>(note 2)</i>	(25.3)	(10.2)	5.1
26 June 2013	New Focus Auto Tech Holdings Limited (stock code: 360)	(41.2)	(46.4)	(45.3)
10 October 2013	China New Town Development Company Limited ("China New Town") (stock code: 1278) <i>(note 3)</i>	(46.0)	(44.8)	(41.0)
20 November 2013	GR Properties Limited (formerly known as "Buildmore International Limited") (stock code: 108)	(55.0)	(54.1)	(55.2)
23 January 2014	Alibaba Health Information Technology Limited (formerly known as "CITIC 21CN Company Limited") (stock code: 241)	(63.9)	(61.8)	(61.2)

LETTER FROM SOMERLEY

Date of announcement	Company name	Premium/(discount) of placing/ subscription/issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> %
13 February 2014	GCL New Energy Holdings Limited (formerly known as “Same Time Holdings Limited” (“Same Time”)) (stock code: 451) <i>(note 4)</i>	(47.1)	(44.0)	(42.3)
11 March 2014	Alibaba Pictures Group Limited (formerly known as “ChinaVision Media Group Limited” (“ChinaVision”)) (stock code: 1060) <i>(note 5)</i>	(21.9)	(8.8)	9.4
10 June 2014	Kong Sun Holdings Limited (“Kong Sun”) (stock code: 295) <i>(note 6)</i>	(1.4)	(6.3)	3.2
13 June 2014	KuangChi Science Limited (formerly known as “Climax International Company Limited”) (stock code: 439)	(76.1)	(74.9)	(75.2)
4 September 2014	China Financial International Investments Limited (stock code: 721)	(66.7)	(65.4)	(64.0)
10 October 2014	Fortunet e-Commerce Group Limited (formerly known as “Changfeng Axle (China) Company Limited”) (stock code: 1039)	(29.0)	(23.3)	(22.0)
18 December 2014	China Star Cultural Media Group Limited (stock code: 8172)	(71.4)	(64.3)	(63.5)
29 January 2015	Good Fellow Resources Holdings Limited (stock code: 109)	(31.4)	(20.8)	(20.6)
2 February 2015	Jin Cai Holdings Company Limited (stock code: 1250)	(43.6)	(42.0)	(38.7)
9 March 2015	South East Group Limited (stock code: 726)	(42.9)	(35.1)	(31.3)
23 July 2015	China Jinhai International Group Limited (stock code: 139)	(74.0)	(67.4)	(64.7)

LETTER FROM SOMERLEY

Date of announcement	Company name	Premium/(discount) of placing/ subscription/issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> %	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> %
4 June 2015	World Wide Touch Technology (Holdings) Limited (“World Wide”) (stock code: 1282) <i>(note 7)</i>	<i>(approximate)</i> (41.0)	<i>(approximate)</i> (36.8)	<i>(approximate)</i> (32.3)
	Mean (simple average)	(45.8)	(41.6)	(37.6)
	Minimum	(76.1)	(74.9)	(75.2)
	Maximum	(1.4)	(6.3)	9.4
	The Subscription <i>(note 8)</i>	(66.9)	(66.8)	(65.7)

Source: relevant announcements relating to the application of whitewash waiver of the companies for the Comparable Issues

Notes:

1. The closing share prices are sourced from Bloomberg.
2. As mentioned in the announcement of SPG Land dated 8 May 2013, a special dividend of HK\$1.275 per share was proposed by SPG Land after the completion of the subscription of shares by the subscriber. Since the subscriber had waived its entitlement to the special dividend and the shares of SPG Land were traded cum the special dividend, we have compared the subscription price of HK\$1.9 per share (as set out in the announcement of SPG Land dated 8 May 2013) to the adjusted closing share prices of SPG Land to reflect the effect of the special dividend (being the closing price of shares of SPG Land on each relevant trading day less the special dividend of HK\$1.275 per share).
3. China New Town published an announcement on 18 January 2013 in relation to, among other things, the discussions with several independent third parties regarding possible investment in China New Town in the form of subscription of new shares. As stated in the announcement of China New Town dated 10 October 2013, the subscription price of HK\$0.27 per share was determined with reference to, among other things, average closing price of its shares for the three months period prior to the suspension of trading of the shares on the “undisturbed trading date”. It was further disclosed in the announcement of China New Town dated 10 October 2013 that 14 January 2013 was the “undisturbed trading date”, i.e. the last trading day of the shares before the release of the aforesaid announcement dated 18 January 2013. Accordingly, we have taken 14 January 2013 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 14 January 2013.

LETTER FROM SOMERLEY

4. Same Time published an announcement after trading hours on 29 October 2013 in relation to, among other things, the memorandum of understanding in respect of a possible subscription of new shares and convertible bonds in Same Time. Pursuant to the memorandum of understanding, the subscription price was determined at HK\$4.0 per share with reference to, among other things, the then recent trading performance of the shares of Same Time. As stated in the announcement of Same Time dated 13 February 2014, the subscription price of HK\$4.0 per share was arrived at with reference to, among other things, trading performance of the shares of Same Time prior to the date of the memorandum of understanding. Accordingly, we have taken 29 October 2013 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 29 October 2013.
5. Trading in shares of ChinaVision was suspended with effect from 9:30 a.m. on 25 February 2014 pending the release of its announcement dated 11 March 2014. 2.32 million shares of ChinaVision were traded on 25 February 2014 with a closing share price of HK\$0.64 per share on the same day. We have taken 25 February 2014 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 25 February 2014.
6. As stated in the announcement of Kong Sun dated 10 June 2014, the subscription price of HK\$0.36 per share was arrived at with reference to, among other things, the then prevailing market prices of the shares of Kong Sun prior to the memorandum of understanding dated 29 March 2014. Accordingly, we have taken 28 March 2014 (i.e. the last day of trading immediately prior to 29 March 2014) as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 28 March 2014.
7. As stated in the announcement of World Wide dated 4 June 2015, the subscription price of HK\$0.18 per share was determined on or about the date of signing the memorandum of understanding dated 14 April 2015. Trading in the shares of World Wide was halted with effect from 9:00 a.m. on 14 April 2015 pending the release of an announcement in relation to the aforesaid memorandum of understanding. Accordingly, we have taken 13 April 2015 (i.e. the last day of trading immediately prior to 14 April 2015) as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 13 April 2015.
8. As set out in the paragraph headed “Analysis of the historical price performance of the Shares” above in this sub-section, trading in the Shares was suspended on 1 April 2015 (i.e. the Undisturbed Trading Day). Following the Inside Information Announcement, trading in the Shares resumed on 14 April 2015 (i.e. the Last Trading Day) and the closing price of the Shares surged to HK\$1.920 per Share, representing an increase of approximately 58.7% comparing to the closing price of HK\$1.210 per Share on the Undisturbed Trading Day. We consider that analyses based on the closing Share price on or before the Undisturbed Trading Day is more relevant to the Independent Shareholders for the purpose of comparing the Share price with the Subscription Price. Accordingly, the Subscription Price is compared to the closing price of the Shares on the Undisturbed Trading Day and the average closing prices of the Shares for each of the 5 and 10 trading days before and including the Undisturbed Trading Day.
9. Simsen International Corporation Limited (“Simsen”) (stock code: 993) published an announcement dated 7 October 2014 in relation to, among other things, entering into of a memorandum of understanding between Simsen and a potential investor for possible subscription of shares of Simsen. Following that, an announcement dated 23 March 2015 in relation to, among other things, (i) the subscription of new shares of Simsen; (ii) application for whitewash waiver; and (iii) distribution in specie of a subsidiary of Simsen was published by Simsen. The above subscription would in theory have met our selection criteria for Comparable Issues as set out above. As set out in the circular of Simsen dated 30 June 2015 in relation to the above transactions, a voluntary conditional offer will be made by way of (a) securities exchange or (b) cash alternative for the shares in the Simsen’s subsidiary subject to the distribution in specie. However, as set out in Appendix I to the aforesaid circular, the theoretical downward effect of the distribution in specie on the share price cannot be quantified beforehand and would be impacted by different factors. Accordingly, we have excluded Simsen from our analysis.

LETTER FROM SOMERLEY

The 17 Comparable Issues set out in the table above have generally involved a placing, subscription or issue of new shares at discounts to their respective historical trading prices, except for the 10-day average closing price comparison of SPG Land, ChinaVision and Kong Sun. On this basis, we consider that the issue of the Subscription Shares at discount to market prices is in line with the market norm.

As set out in the table above, the Subscription Price represents (a) a discount of approximately 66.9% to the closing Share price on the Undisturbed Trading Day; (b) a discount of approximately 66.8% to the average closing price for the 5 trading days immediately prior to and including the Undisturbed Trading Day; and (c) a discount of approximately 65.7% to the average closing price for the 10 trading days immediately prior to and including the Undisturbed Trading Day. All of these are:

- (1) within the range of discounts and premium, although close to the high end of discount range of the Comparable Issues for the closing share price as at the last trading day immediately prior to the announcement, as well as the average closing share price for each of the 5 and 10 trading days; and
- (2) less favourable than the mean of the range of discounts and premium of the Comparable Issues for the closing share price as at the last trading day immediately prior to the announcement, as well as the average closing share price for each of the 5 and 10 trading days.

7. Peer comparison

As mentioned in the sub-section headed “Reasons for and background to the Subscription, the Service Agreements and the Fee Shares” above of this letter, the Group is principally engaged in the provision of property agency and related services, securities trading and investment, and advertising agency business. As set out in the 2014 annual report of the Company, approximately 95.88% and 99.98% of the Group’s revenue were generated from the segment of property agency business in Hong Kong for the two years ended 31 December 2013 and 2014 respectively. Accordingly, we have conducted a search on Bloomberg on a best effort basis for companies (the “Comparable Companies”) primarily listed on the Main Board of the Stock Exchange which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date, are principally engaged in, among other things, business of provision of property agency in Hong Kong. To the best of our knowledge, the Comparable Companies set out in the table below represent all the companies comparable to the Company based on the above criteria. As the Group has reported a net loss for the year ended 31 December 2014, historical price to earnings analysis cannot be performed. We have performed the historical price to book (“P/B”) analysis detailed below.

LETTER FROM SOMERLEY

Historical P/B analysis

The table below sets out the comparison of historical P/Bs of the Company and the Comparable Companies:

Comparable Companies	Market capitalisation as at the Latest Practicable Date <i>(Approximate HK\$'million) (Note 1)</i>	Consolidated net assets attributable to equity holders <i>(Approximate HK\$'million) (Note 2)</i>	Historical P/B <i>(Approximate times) (Note 3)</i>
Midland Holdings Limited ("Midland Holdings") (stock code: 1200)	2,470.1	1,406.109	1.757
Midland IC&I Limited ("Midland ICI") (stock code: 459)	643.9	706.994	0.911
Simple average			1.334
The Subscription			0.690 <i>(Note 4)</i>

Notes:

1. Market capitalisation of the Comparable Companies is sourced from Bloomberg.
2. Figures are extracted from the latest published annual reports of the Comparable Companies available as at the date immediately before the Latest Practicable Date.
3. The historical P/Bs of the Comparable Companies are calculated based on their respective consolidated net assets attributable to equity holders set out in their latest published annual reports available as at the date immediately before the Latest Practicable Date and their respective closing market capitalisation as at the Latest Practicable Date.
4. The implied P/B of the Subscription is calculated based on (i) the Subscription Price of HK\$0.4 per Subscription Share; and (ii) the audited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.58, which is calculated by dividing the audited consolidated net assets attributable to the Shareholders as at 31 December 2014 of approximately HK\$336.11 million by the number of issued Shares as at 31 December 2014 of approximately 577.14 million.

As set out in the table above, the historical P/B of Midland Holdings is approximately 1.757 times and that of Midland ICI is approximately 0.911 times, with an average of approximately 1.334 times. The implied P/B of the Subscription as discussed above of approximately 0.690 time is below the historical P/Bs of the Comparable Companies.

LETTER FROM SOMERLEY

Set out below is a summary of the audited consolidated revenue, results and net asset value of Midland Holdings, Midland ICI and the Company as extracted from their respective 2014 annual report:

	Midland Holdings <i>HK\$'million</i>	Midland ICI <i>HK\$'million</i>	The Company <i>HK\$'million</i>
<i>For the year ended 31 December 2014</i>			
Revenue	4,118.3	547.7	203.8
Profit/(loss) for the year attributable to equity owners	64.0	39.7	(13.1)
<i>As at 31 December 2014</i>			
Net assets attributable to equity owners	1,406.1	707.0	336.1

As set out above, the revenue, results and net asset value of Midland Holdings and Midland ICI are greater than that of the Company. From the financial point of view, both Midland Holdings and Midland ICI are financially stronger than the Company.

Based on the closing Share price of HK\$1.21 per Share on the Undisturbed Trading Day and the audited consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.58 as at 31 December 2014, the historical P/B of the Company is approximately 2.086 times which is higher than that of both of Midland Holdings and Midland ICI of approximately 1.757 and 0.911 times respectively. In view of the weaker financial position of the Company as compared to the Comparable Companies, we consider that the financial fundamental of the Group does not by itself justify the high closing Share price on the Undisturbed Trading Day. The high closing Share price on the Undisturbed Trading Day might be due to market speculations of certain corporate actions to be carried out by the Group such as the Subscription. On this basis, we consider that the peer comparison analysis is of limited value and is included in this letter for illustration purpose only. Further discussion on the Subscription Price is set out below.

8. *Discussion on the Subscription Price*

Since the financial fundamental of the Group does not by itself justify the high closing Share price on the Undisturbed Trading Day, independent third party investors are unlikely to subscribe for new Shares at this valuation. We are advised by the executive Directors that the Subscribers raised this matter during the negotiation process, and the parties to the Subscription Agreement placed heavy weight on other factors in determining the Subscription Price, including (a) the prospects of the Group's existing business and (b) the anticipated strategic value to be brought to the Company by the Subscribers, including certain services to be provided and rights to be granted by the Director Shareholders to the Company on an exclusive basis for the Service Period pursuant to the Service Agreements. As set out in the paragraph headed "Financial information and prospects of the Group" above in this sub-section, the revenue of the Group increased by approximately 106.4% from 2013 to 2014. However, the gross profit of the Group increased by only approximately 14.6% from 2013 to 2014. The lower increase of gross profit as compared to revenue in 2014 was mainly due to the squeeze of gross profit margin as a result of high commission paid to property agents, incentives and rebates offered to buyers to boost the sales. The executive Directors are of the view that the performance of the Group's property agency segment in Hong Kong (being the major business segment of the Group) has been adversely affected by the Hong Kong Government's demand curb measures in recent years, and that diversification and broadening of the Group's income source would help reduce fluctuations in the financial results of the Group resulting from the cyclical nature of the property market. Given the extensive experience, expertise and business connection of Mr. Ning and Mr. Xu, during the negotiation process, the executive Directors requested Mr. Ning and Mr. Xu to enter into the Service Agreements with the Company so that Mr. Ning and Mr. Xu would provide certain services and grant certain rights to the Company on an exclusive basis for the Service Period after Completion. Since both of Mr. Ning and Mr. Xu agreed to enter into the Service Agreements for the Initial Service Period of six years with maximum annual fees payable to each of Mr. Ning and Mr. Xu, the executive Directors agreed the Subscription Price at HK\$0.4 per Subscription Share.

In view of the substantial experience and solid track record of Mr. Dong, Mr. Ning and Mr. Xu in the PRC advertising, media and entertainment industry, we consider that the entering into of the Subscription Agreement and the Service Agreements is an important move for the Group to pave the way to develop the advertising, media and entertainment business. We also consider that there is substantial merit to the Group's development through establishing strategic relationships with Mr. Dong, Mr. Ning and Mr. Xu. In addition to raising funds, the establishment of strategic relationship with Mr. Dong, Mr. Ning and Mr. Xu through the Subscription and the Service Agreements can raise the Group's credibility and profile, sending a powerful message to the market that the Group will have concrete resources to develop the advertising, media and entertainment business after Completion. It is also set out in the section headed "Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds" in the "Letter from the Board" contained in the Circular that based on the information provided by Mr. Dong, the ultimate beneficial owners of the Subscribers (other than Mr. Dong, Mr. Ning and Mr. Xu) are social acquaintances of Mr. Dong and are introduced by

LETTER FROM SOMERLEY

Mr. Dong to participate in the Subscription. Their participation is one of the factors considered by Mr. Dong to subscribe for the Subscription Shares. Each of them has noteworthy background, experience, social status, connections, personal and/or professional achievements. Mr. So Chak Kwong, the ultimate beneficial owner of Concept Best, is a director of AIA Group Limited and an independent senior advisor to Credit Suisse, Greater China. Mr. So Chak Kwong was a director and chairman of the Hong Kong Trade Development Council, as chairman of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland, a director of Cathay Pacific Airways Limited and chairman of the Film Development Council. Mr. Gao Zhikai, the ultimate beneficial owner of Dayunmony, is the vice chairman of Sino-Europe United Investment Corporation. He was an English interpreter for the Second Generation of Chinese Leaders, including Mr. Deng Xiaoping, and also worked with the United Nations Secretariat in New York. He worked as a lawyer with Milbank, Tweed, Hadley & McCloy, as an investment banker with Morgan Stanley and its joint venture investment bank in China, China International Capital Corporation, as the China Policy Advisor with the SFC and also held senior management positions with major corporations including PCCW Limited, Henderson Land Development Company Limited and CNOOC Limited. Mr. Tse Yiu Lam, the ultimate beneficial owner of Gold Shine, and Mr. Yeung Ning, the ultimate beneficial owner of Wise Dragon, are active, skilled and experienced investors who have, to the knowledge of Mr. Dong, made very successful investments in real estate and other businesses in the past. REORIENT Group, the holding company of RGL, is experienced in, among others, securities broking and provision of consultancy and advisory services. The Board is of the view that all of the ultimate beneficial owners of the Subscribers (in addition to Mr. Dong, Mr. Ning and Mr. Xu) would be able to offer valuable insight, business contacts and networking capabilities and opportunities to the Group to develop its existing property agency, securities trading and investments business as well as the advertising, media and entertainment business. In addition, the financial contribution of approximately HK\$108 million by such other Subscribers (being Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL) would enable the Group to have additional proceeds to achieve its objective of stabilising and maintaining the property agency business while developing its advertising, media and entertainment business. With the basis set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular, the Company considers that the Subscription Price is fair and reasonable and in the interests of the Shareholders as a whole. On this basis, we are of the view that benefits would be derived by the Group from the Subscription and the Service Agreements.

LETTER FROM SOMERLEY

Taking into account the above analysis and other analyses as set out in the paragraphs headed “Financial information and prospects of the Group” and “Analysis of the historical price performance of the Shares” above of this letter, and the paragraph headed “Financial effects of the Subscription and allotment and issue of the Fee Shares” below of this letter, although (i) the Subscription Price is below the closing Share prices for most of the trading days during the Review Period; (ii) the Subscription Price represents discounts to closing prices and average closing prices of the Shares prior to the Inside Information Announcement; (iii) the Subscription Price represents a discount of approximately 31.0% to the audited consolidated net assets attributable to the Shareholders per Share as at 31 December 2014; and (iv) the Subscription is expected to result in dilution in the consolidated net assets attributable to the Shareholders per Share upon Completion and allotment and issue of the Fee Shares, based on

- (1) the losses incurred by the Group for the last five financial years (except for the year ended 31 December 2013);
- (2) the diversification into the media and entertainment industry by the Group to be, in our view, desirable and practicable due to, among other things, the experience of the incoming Director Shareholders and the PRC governmental support of the PRC film industry;
- (3) the value premium of approximately HK\$1,246.7 million (being the increase in value of the Company between (i) the closing market capitalisation of the Company on the Undisturbed Trading Day; and (ii) the closing market capitalisation of the Company on the Latest Practicable Date) which benefits all Shareholders;
- (4) entering into the Service Agreements under which certain services would be provided and certain rights would be granted by the Director Shareholders to the Company on an exclusive basis; and
- (5) the benefits (including the strategic partnership with Mr. Dong, Mr. Ning and Mr. Xu) to be derived by the Group from the Subscription and the Service Agreements as discussed above,

we consider that the Subscription Price is fair and reasonable.

LETTER FROM SOMERLEY

9. Financial effects of the Subscription and allotment and issue of the Fee Shares

As set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular and as advised by the executive Directors, assuming the approval for the allotment and issue of the Fee Shares to be obtained at the SGM, the gross proceeds and the net proceeds from the Subscription are approximately HK\$680.6 million and approximately HK\$676.7 million (after deduction of professional fees and estimated expenses of approximately HK\$3.9 million (excluding the financial advisory fees in respect of the Subscription to be settled by the Fee Shares) payable by the Group in connection with the Subscription) respectively. The net proceeds from the Subscription is expected to be used during the period up to 31 December 2016 as to (i) approximately HK\$520.0 million for the development of six movies, including three from the Director Shareholders’ Productions and three from independent youth film directors; (ii) approximately HK\$150.0 million for the development of three to four television drama series for the broadcasting in television and/or internet platforms; and (iii) approximately HK\$6.7 million for general working capital. Further details of the use of proceeds from the Subscription are set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular. Upon Completion, assuming that the approval for the allotment and issue of the Fee Shares is obtained at the SGM, net proceeds from the Subscription of approximately HK\$676.7 million shall be received by the Company and the executive Directors expect that the cash position of the Group will be enhanced.

As set out in the Company’s 2014 annual report, the audited consolidated net assets attributable to the Shareholders was approximately HK\$336.11 million as at 31 December 2014 (representing approximately HK\$0.58 per Share, based on a total of approximately 577.14 million Shares in issue as at 31 December 2014). Assuming that the approval for the allotment and issue of the Fee Shares is obtained at the SGM and upon Completion and allotment and issue of the Fee Shares, 1,701,416,556 new Shares will be issued by the Company as the Subscription Shares and 30,000,000 new Shares will be issued by the Company as the Fee Shares. As advised by the executive Directors, if the Fee Shares are allotted and issued to settle the financial advisory services fee payable by the Group, they will be recognised as both (i) an increase in equity under the captions of share capital and share premium; and (ii) share-based payment expenses (in an amount equivalent to the amount of increase in equity) to be charged to the statement of profit or loss. On this basis, the executive Directors consider that there will be no effect on the consolidated net assets attributable to the Shareholders as a result of the allotment and issue of the Fee Shares, and the consolidated net assets attributable to the Shareholders is expected to be increased roughly by the same amount of the aggregate net proceeds from the Subscription of approximately HK\$676.7 million as mentioned above. On the other hand, the Company intends to settle the financial advisory services fee in cash if the resolution in respect of allotment and issue of the Fee Shares is not approved at the SGM. Should this happen, the aforesaid expected increase in consolidated net assets attributable to the Shareholders of approximately HK\$676.7 million will be partially set off by the cash amount to be paid out by the Company in respect of the financial advisory services fee.

LETTER FROM SOMERLEY

However, the Company has yet to determine and negotiate with RFML the cash amount in case the advisory services fee is to be settled in cash and the Company will negotiate with RFML further in this regard.

The table below sets out, for illustration purpose, such effect on the consolidated net assets attributable to the Shareholders per Share, assuming that Completion and allotment and issue of the Fee Shares (with approval at the SGM) had taken place on 31 December 2014:

	<i>HK\$' million (approximate)</i>
Consolidated net assets attributable to the Shareholders as at 31 December 2014	336.1
Add: Estimated net proceeds from the Subscription	<u>676.7</u>
 Total	 <u><u>1,012.8</u></u>
	 <i>Number of Shares</i>
Number of Shares in issue as at 31 December 2014	577,138,852
Add: Number of new Shares to be issued (including the Subscription Shares and the Fee Shares)	<u>1,731,416,556</u>
 Total	 <u><u>2,308,555,408</u></u>
 Consolidated net assets attributable to the Shareholders per Share immediately after Completion and allotment and issue of the Fee Shares (approximately HK\$1,012.8 million divided by 2,308,555,408 Shares)	 Approximately HK\$0.44 per Share

As illustrated above, the consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.44 immediately after Completion and allotment and issue of the Fee Shares (with approval at the SGM) represents a decrease of approximately 24.1% as compared to the consolidated net assets attributable to the Shareholders per Share of approximately HK\$0.58 as at 31 December 2014. Although this is a decrease, we consider that the Company will be valued in the future primarily by reference to the plans set out above and net assets per Share will not be of critical significance. Consequently, we consider the decrease is acceptable in light of the benefits of the Subscription as a whole as set out in this letter.

LETTER FROM SOMERLEY

10. Whitewash Waiver — dilution effects on shareholding

The following table summarises the effect of the Subscription and the allotment and issue of the Fee Shares on the shareholding structure of the Company immediately (i) upon Completion and (ii) upon Completion and allotment and issue of the Fee Shares, both assuming that no other Shares will be issued or repurchased during the period from the Latest Practicable Date to Completion and allotment and issue of the Fee Shares. Further details on (a) the effect of the Subscription and allotment and issue of the Fee Shares on the shareholding structure and (b) the accompanying notes to the shareholding table are set out in the section headed “Effect on shareholding structure” in the “Letter from the Board” contained in the Circular.

	As at the Latest Practicable Date		Immediately upon Completion		Immediately upon Completion and allotment and issue of the Fee Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Thought Diamond International Limited (<i>Notes 1 and 2</i>)	143,850,000	24.92	143,850,000	6.31	143,850,000	6.23
The Subscribers and their respective concert parties						
Newwood	—	—	461,711,082	20.26	461,711,082	20.00
Numerous Joy	—	—	92,342,216	4.05	92,342,216	4.00
Pacific Wits	—	—	438,625,528	19.25	438,625,528	19.00
Tairong	—	—	438,625,528	19.25	438,625,528	19.00
Wise Dragon (<i>Note 2</i>)	—	—	69,256,662	3.04	69,256,662	3.00
Gold Shine (<i>Note 2</i>)	—	—	69,256,662	3.04	69,256,662	3.00
Dayunmony (<i>Note 2</i>)	—	—	46,171,108	2.03	46,171,108	2.00
Concept Best (<i>Note 2</i>)	—	—	46,171,108	2.03	46,171,108	2.00
RGL (<i>Note 2</i>)	—	—	39,256,662	1.72	39,256,662	1.70
RFML (<i>Note 2</i>)	—	—	—	—	30,000,000	1.30
<i>Subtotal</i>	—	—	1,701,416,556	74.67	1,731,416,556	75.00
Existing public Shareholders	<u>433,288,852</u>	<u>75.08</u>	<u>433,288,852</u>	<u>19.02</u>	<u>433,288,852</u>	<u>18.77</u>
Total	<u>577,138,852</u>	<u>100.00</u>	<u>2,278,555,408</u>	<u>100.00</u>	<u>2,308,555,408</u>	<u>100.00</u>

Notes:

- These Shares were held by Thought Diamond International Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director. Upon Completion, Mr. Cheung Kwok Fan will resign as an executive Director and these Shares shall be counted as held in public hands for the purposes of Rule 8.08(1) of the Listing Rules.
- Upon Completion (and, where applicable, allotment and issue of the Fee Shares), these Shares shall be counted as held in public hands for the purpose of the Listing Rules.

As illustrated above, the shareholding of the existing public Shareholders would be reduced from approximately 75.08% as at the Latest Practicable Date to approximately 18.77% immediately after Completion and the allotment and issue of the Fee Shares.

LETTER FROM SOMERLEY

There will be substantial dilution to the shareholding interest of the existing public Shareholders as a result of the Subscription and allotment and issue of the Fee Shares. However, having taken into account (i) the benefits to be derived by the Group from the Subscription and the Service Agreements as set out in the paragraph headed “Discussion on the Subscription Price” above in this sub-section; (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the increase in the closing Share price after publication of the Inside Information Announcement and the Announcement from HK\$1.210 per Share on the Undisturbed Trading Day to HK\$3.370 per Share on the Latest Practicable Date which benefits all Shareholders, we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription and allotment and issue of the Fee Shares is acceptable.

11. Whitewash Waiver — Takeovers Code provisions

As set out in the section headed “Implications under the Takeovers Code and application for Whitewash Waiver” in the “Letter from the Board” contained in the Circular, (i) upon Completion, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,701,416,556 Shares (before the allotment and issue of the Fee Shares), representing approximately 74.67% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares; and (ii) upon Completion and allotment and issue of the Fee Shares, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,731,416,556 Shares, representing 75.0% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

Pursuant to Rule 26.1 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger an obligation to make a mandatory general offer by the Subscribers for all the issued Shares and other securities (including convertible securities, warrants, options and subscription rights) of the Company other than those already owned (or agreed to be acquired) by the Subscribers and parties acting in concert with any of them, unless the Whitewash Waiver is obtained from the Executive. An application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares has been made by Newwood (on its behalf and on behalf of the other Subscribers). The Whitewash Waiver, if granted, is subject to, among other things, the approval of the Independent Shareholders on a vote by way of poll at the SGM.

Shareholders should note that the Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent as set out in the sub-section headed “Conditions of the Subscription” in the section headed “The Subscription Agreement” in the “Letter from the Board” contained in the Circular, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM for the Whitewash Waiver, which cannot be waived. Consequently, the Subscription may or may not proceed.

LETTER FROM SOMERLEY

Shareholders should note that, if the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Subscribers and their respective concert parties (namely Newwood, Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best, RGL and RFML, collectively the “Concert Group”) in the Company will exceed 50% upon Completion (and allotment and issue of the Fee Shares if it is approved at the SGM). On this basis, the Concert Group may further increase their shareholdings in the Company without triggering further obligations for a general offer under the Takeovers Code.

Having taken into consideration (i) the benefits to be derived by the Group from the Subscription and the Service Agreements as set out in the paragraph headed “Discussion on the Subscription Price” above in this sub-section; (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the increase in the closing Share price after publication of the Inside Information Announcement and the Announcement which benefits all Shareholders, we are of the view that the Whitewash Waiver (the granting of which is one of the conditions of the Subscription) is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

III. The Service Agreements

1. Principal terms of the Service Agreements

Set out below is a summary of principal terms of the Service Agreements. Further details of the Service Agreements are set out in the section headed “The Service Agreements — continuing connected transactions” in the “Letter from the Board” contained in the Circular.

The Service Agreement 1 and the Service Agreement 2 were entered into on 14 April 2015 between the Company and Director Shareholder 1 and Director Shareholder 2 respectively. Pursuant to the Service Agreements, the Director Shareholders agreed to provide certain services and grant certain rights to the Company on an exclusive basis for the Service Period, to the effect, among other things, that (i) the Company shall have (a) exclusive investment and production rights to any Director Shareholders’ Productions (i.e. the Company shall be the sole investor in such productions); and (b) priority distribution rights to the Director Shareholders’ Productions in the PRC, Hong Kong, Taiwan and Macau Special Administrative Region of the PRC; (ii) each of the Director Shareholders shall direct one to two films (being films that shall be publicly released) every three years in respect of which the Company shall have the aforesaid exclusive investment and production rights, and priority distribution rights; (iii) the Director Shareholders shall use their best endeavours to provide the Company with the priority investment, production and distribution rights for the Non-Director Shareholders’ Productions; and (iv) the Director Shareholders shall actively participate in the promotional activities of other films and programmes invested in or produced by the Company according to the requirements of the Company.

LETTER FROM SOMERLEY

The Service Agreements shall become effective upon Completion for the Initial Service Period of a term of six years from the Completion Date. Starting from 12 months before the expiry of the Initial Service Period and ending 6 months before the expiry of the Initial Service Period, the Director Shareholders shall provide the Company with the right of first negotiation in relation to the extension of the Initial Service Period for a further term of six years provided that the Service Agreements shall be subject to Independent Shareholders' approval to renew the Service Agreements every three years in accordance with the Listing Rules (unless a waiver is obtained by the Company).

As set out in the section headed "The Service Agreements — continuing connected transactions" in the "Letter from the Board" contained in the Circular, during the Service Period, each Director Shareholder shall, with respect to each proposed Director Shareholders' Production, submit to the Company a written proposal containing relevant details of such production such as plot or storyline, total budget and basis for determining the same, production and distribution budget, production plan and timeline, and proposed screenwriter, producer and casting for such production. The Board or a designated board committee shall within 30 Business Days (such period may be extended by the Company for not more than another 30 Business Days) of receiving the foregoing written proposal, consider and discuss such proposal and decide whether the Company will invest in such proposed Director Shareholders' Production. During such period, the Company may request that the Director Shareholders provide further information with respect to their proposal, or discuss with the relevant Director Shareholder any proposed amendments to the proposal. If the Board or its designated board committee decides to invest in such Director Shareholders' Production, the Company shall use commercially reasonable efforts to provide sufficient financial and other support for the filming and production of the relevant Director Shareholders' Production. At the same time, the Group shall use commercially reasonable efforts to apply for and obtain all relevant governmental approvals and licences in all jurisdictions to facilitate the financing, preparation, filming, reviewing, screening and distribution etc. of the relevant Director Shareholders' Production. If the Board or its designated board committee decides not to invest in the proposed Director Shareholders' Production, or fails to respond within the abovementioned prescribed period, the Company shall be deemed to have waived its right to invest in the proposed Director Shareholders' Production and the relevant Director Shareholder shall have the right to seek other investors for such proposed production, on the condition that the relevant Director Shareholder comply with his obligations under the Service Agreement, and the information provided by such Director Shareholder to any other potential third party investors should not be of a higher quality and clarity as those provided by such Director Shareholder to the Company. Further details with respect to the above are set out in the section headed "The Service Agreements — continuing connected transactions" in the "Letter from the Board" contained in the Circular.

Pursuant to the Service Agreements, no service fee shall be payable by the Company to the Director Shareholders in consideration of entering into the Service Agreements or the transactions contemplated thereunder, subject to the Director Shareholders' rights to the following benefits and rewards of (a) each of the Director Shareholders shall be entitled to receive film director fees or creative member fees in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the

LETTER FROM SOMERLEY

Company invests in with reference to the prevailing market rates for similar productions, subject to a maximum amount of HK\$30 million per annum; and (b) the Director Shareholders shall be entitled to receive dividends in respect of any Shares held by them, if any, to be declared by the Company.

We have discussed with the executive Directors the determination of the proposed annual cap of HK\$30 million payable to each of the Director Shareholders under the Service Agreements. With reference to the prevailing market rates payable to independent third party film directors who are of similar calibre, status, standing and reputation and who have similar track records of successful and profitable movies and other media productions, the executive Directors estimate that the fee payable to each of the Director Shareholders for each production will be approximately HK\$25 million to HK\$30 million. When determining the film director fees or creative member fees payable to the Director Shareholders in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in, the Company expects to take into account (i) the projected cost of the relevant production, (ii) the lead actors or actresses who will participate in the relevant production, (iii) the projected length of film shooting of the relevant production, (iv) the genre of the relevant production, (v) the estimated box office and popularity of the relevant production, (vi) the plot of the film, (vii) whether undertaking such a production could lead to other investment opportunities for the Company, such as exposure to and contact with other reputable and renowned players in the industry (including actors, actresses, screenwriters, directors, costume designers, film editors, makeup artists, visual effect and sound editors and other relevant personnel of the production team) and (viii) any other fair and reasonable considerations which the Board and the Director Shareholders may take into account at the time of consideration of the relevant production. The executive Directors are of the view that the forgoing considerations would allow the Company to compare the relevant film director fees or creative member fees payable to the Director Shareholders with the prevailing market rates to ensure that the relevant film director fees payable by the Company to the Director Shareholders would be comparable to and/or no less favourable than those offered by independent comparable film directors. As set out in the sub-section headed "Service fees" in the section headed "The Service Agreements — continuing connected transactions" of the "Letter from the Board" contained in the Circular, the Board or the designated board committee will undertake the following processes and procedures to determine such prevailing market rates, including, (i) drawing from the experience of the Director Shareholders, in particular, the extensive experience of Mr Dong, in the film industry to determine the customary market rates payable to similar film directors producing similar productions; (ii) researching similar productions which have been released recently and obtaining any relevant information (including through contacting the production company of such films and utilising the connections of the Directors Shareholders or other personnel with relevant skills and expertise who the Company may employ following Completion, and any other appropriate means) on the budget of such productions, including the revenues, expenditures and film directors fee paid with respect to those productions; (iii) reviewing any prior investment opportunities in relation to production proposals from independent third party producers and film directors received by the Company and compare the proposed budget of such production proposals with the budget proposed by the Director Shareholders, including comparing the film directors fee

LETTER FROM SOMERLEY

set forth in the budgets; and (iv) if the Board or designated board committee deems necessary, engaging independent research agencies to assist in assessing the appropriate range with respect to market rates payable to similar film directors for similar productions. The Company will decide the amount of relevant fees to be paid to the Director Shareholders only after taking into consideration the range of relevant factors and undertaking the processes and procedures mentioned above, and where the fees are no more favourable than those offered to independent comparable film directors. The relevant Director Shareholders will abstain from voting at the relevant board meeting considering whether the Company will invest in the proposed Director Shareholders' Productions. Given the unique and specific nature of each production and that the Company will determine the relevant fees to be paid to the Director Shareholders after taking into consideration the range of relevant factors as mentioned above, we concur with the executive Directors that this would allow the Company to ensure the relevant film director fees payable to the Director Shareholders would be comparable to and/or no less favourable than those offered by independent comparable film directors.

Pursuant to the Service Agreements, each of the Director Shareholders shall direct one to two films (being Director Shareholders' Productions) every three years. In addition to this, fees may be payable to the Director Shareholders for any Non-Director Shareholders' Productions which the Company chooses to invest in. Notwithstanding that each of the Director Shareholders shall direct one to two films every three years pursuant to the Service Agreements, the Director Shareholders are not restricted from producing more than two films in three years if feasible and both the Company and the Director Shareholders choose to do so.

As Completion is yet to take place, the Company had only preliminary discussions with the Director Shareholders regarding the film production plan. As set out in the section headed "Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds" in the "Letter from the Board" contained in the Circular, the executive Directors expect to use part of the net proceeds from the Subscription during the period up to 31 December 2016 for the development of six movies, including three from the Director Shareholders' Productions. The executive Directors currently estimate that the number of Director Shareholders' Productions to be developed by the Company in the years ending 2020 will remain stable. However, as only preliminary discussions have been held by the Company with the Director Shareholders regarding the film production plan, it is uncertain as to how many productions will be directed by each Director Shareholder. Moreover, the Director Shareholders would submit their written proposals to the Company for evaluation only after Completion. Accordingly, the Company cannot predict the evaluation results, and the number of written proposals to be accepted by the Company for investment and production at this stage. As each Director Shareholders' Production has different production timetable and resources requirements, the number of Director Shareholders' Productions which can be directed by each Director Shareholder may vary and cannot be ascertained at this stage. The Company and the Director Shareholders shall engage in detailed discussions regarding concrete plans (including number of production to be made, budget and timetable of each production) of their productions in the coming years shortly after Completion. Uncertainties exist with respect to, among other things, the nature and expected length of shooting the relevant

LETTER FROM SOMERLEY

productions to be made by the Director Shareholders. Moreover, the progress in making a production may be affected by unexpected events. Given film productions and/or other media productions are part of the Company's new business, and in view of the uncertainties that exist regarding the Director Shareholders' productions as described above, the executive Directors have set the proposed annual cap to be the maximum fee payable to each of the Director Shareholders of HK\$30 million under the Service Agreements.

The continuing connected transactions contemplated under the Service Agreements will be subject to the relevant proposed annual caps for the film director fees or creative member fees payable to the Director Shareholders of HK\$30 million for each Director Shareholder for each of the years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020. On the basis that (a) film productions and/or other media productions are part of the Company's new business; (b) the Company is unable to determine accurately both of the number of written proposals of the Director Shareholders to be accepted and invested by the Company, and the fees payable to the Director Shareholders at this stage; (c) the proposed annual caps for the continuing connected transactions contemplated under the Service Agreements will allow flexibility for the Group in conducting its new business which is considered to be in the interests of the Company and the Shareholders as a whole; and (d) the Company will decide the amount of relevant fees to be paid to the Director Shareholders only after taking into consideration the range of relevant factors and undertaking the processes and procedures mentioned above, and where the fees are no more favourable than those offered to independent comparable film directors, we are of the view that the relevant proposed annual caps are fair and reasonable.

2. *Non-compete*

During the Service Period, save for the activities and transactions contemplated under the Service Agreements, unless with the written consent of the Company, the Director Shareholders shall not, directly or indirectly entrust or authorise any third party to undertake those activities as stipulated in the Service Agreements. Further details of the non-compete obligations of the Director Shareholders are set out in the sub-section headed "Non-compete" in the section headed "The Service Agreements — continuing connected transactions" in the "Letter from the Board" contained in the Circular. Also, the relevant Director Shareholder will abstain from voting at the relevant board meeting considering whether they may engage in the activities described in the sub-section headed "Non-compete" in the section headed "The Service Agreements — continuing connected transactions" in the "Letter from the Board" contained in the Circular.

LETTER FROM SOMERLEY

3. Conditions of the continuing connected transactions contemplated under the Service Agreements

In compliance with the Listing Rules, the continuing connected transactions contemplated under the Service Agreements are subject to a number of conditions which include, among other things:

- (i) the proposed annual caps for the continuing connected transactions contemplated under the Service Agreements for each of the six financial years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the continuing connected transactions contemplated under the Service Agreements and confirm in the Company's annual report whether the continuing connected transactions contemplated under the Service Agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the continuing connected transactions contemplated under the Service Agreements and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the continuing connected transactions contemplated under the Service Agreements:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the continuing connected transactions contemplated under the Service Agreements; and
 - (d) have exceeded the proposed annual caps with respect to the continuing connected transactions contemplated under the Service Agreements;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;

LETTER FROM SOMERLEY

- (v) the Company must allow, and ensure that the Director Shareholders allow, the auditors of the Company sufficient access to their records of the continuing connected transactions contemplated under the Service Agreements for the purpose of the auditors' reporting on the continuing connected transactions contemplated under the Service Agreements. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the continuing connected transactions contemplated under the Service Agreements exceeds the relevant annual caps, or that there is any material amendment to the terms of the Service Agreements.

In light of the conditions imposed on the continuing connected transactions contemplated under the Service Agreements, in particular, (1) the limit of the value of the continuing connected transactions contemplated under the Service Agreements by way of the relevant annual caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the continuing connected transactions contemplated under the Service Agreements; and (3) the on-going review by the auditors of the Company whether the relevant annual caps with respect to the continuing connected transactions contemplated under the Service Agreements having been exceeded or not, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions contemplated under the Service Agreements and safeguard the interests of the Independent Shareholders.

4. Duration of the Service Agreements

The Service Agreements will be for an initial duration of six years from the Completion Date and extendable for further six years subject to compliance of the Listing Rules. We have discussed the duration of the Service Agreements with the executive Directors. As set out in the section headed "Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds" in the "Letter from the Board" contained in the Circular, the executive Directors consider that both of Mr. Ning and Mr. Xu are prestigious and successful directors and actors in the PRC movie industry. Accordingly, the service to be provided by Mr. Ning and Mr. Xu under the Service Agreements would be, in the view of executive Directors, one of the key factors contributing to the Company's success in developing the Group's business in the advertising, media and entertainment industry. On this basis, the executive Directors consider that it is in the interests of the Company and Shareholders as a whole to set the duration of the Service Agreements for a period exceeding three years so that the Company can leverage on the extensive experience, expertise and business connections of Mr. Ning and Mr. Xu for a sufficient period for the Company to establish a firm foothold in the market.

We understand from the executive Directors that the Group plans to devote substantial resources to develop the advertising, media and entertainment business, in particular, applying majority of net proceeds from the Subscription for development of

LETTER FROM SOMERLEY

movies and television drama series. Further details of the use of proceeds are set out in the section headed “Reasons for and benefits of the Subscription and the Service Agreements and use of proceeds” in the “Letter from the Board” contained in the Circular. We further understand from the executive Directors that the Group has not previously invested in or developed movies or television drama series. Accordingly, we consider that the duration of the Service Agreements should be sufficient to counter the risk of the Group lacking relevant experience and expertise to implement its plan for development of movies and television drama series. On this basis, we concur with the view of the executive Directors that a period of longer than three years is required.

For the purpose of ascertaining whether the initial duration of the Service Agreements for a period of six years is in line with normal business practice for agreements of this type, we have conducted a search on Bloomberg on a best effort basis for companies listed in Hong Kong principally engaged in film and TV production and distribution. We then reviewed financial statements (including annual reports/interim reports/quarterly reports) and announcements of these companies published on the Stock Exchange website from 1 January 2014 to the date immediately before the Latest Practicable Date to see whether there are any agreements (the “Comparable Agreements”) with nature similar to that of the Service Agreements. Only those agreements with details on duration disclosed in the aforesaid sources are included as Comparable Agreements, details of which are summarised below. To the best of our knowledge, the agreements below represent all the Comparable Agreements meeting the above criteria.

Listed companies	Duration of the Comparable Agreements	Details of the transactions
(a) Alibaba Pictures Group Limited (formerly known as “ChinaVision Media Group Limited”) (stock code: 1060)	7 years	A film cooperation agreement was entered into with Mr. Chiau Sing Chi (also known as Stephen Chow, “Mr. Chiau”), pursuant to which Mr. Chiau would provide proposals for 5 film projects to be developed by Mr. Chiau himself or jointly with others for the group. Moreover, Mr. Chiau granted the group an option to invest in the production of 5 motion pictures in which Mr. Chiau would play a significant role as filmmaker, producer, director, script writer, protagonist or other leading role within 7 years from the date of the agreement.
	7 years	A film cooperation agreement was entered into with a company owned by Mr. Chan Ho Sun (also known as Peter Chan, “Mr. Chan”), pursuant to which Mr. Chan would provide proposals for 5 film projects to be developed by Mr. Chan himself or jointly with others for the group. Moreover, a company owned by Mr. Chan granted the group an option to invest in the production of 5 motion pictures in which Mr. Chan would play a significant role as filmmaker, producer, director or script writer within 7 years from the date of the agreement.

LETTER FROM SOMERLEY

Listed companies	Duration of the Comparable Agreements	Details of the transactions
	5 years	A film cooperation agreement was entered into with a company owned by Ms. Chai Zhi Ping (also known as Angie Chai, “Ms. Chai”), pursuant to which Ms. Chai would provide proposals for 5 film projects to be developed by Ms. Chai herself or jointly with others for the group. Moreover, a company owned by Ms. Chai granted the group an option to invest in the production of 5 motion pictures in which (i) Ms. Chai would play a role as producer while Mr. Giddens Ko (also known as “Jiubadao”) would play a role as director or script writer or (ii) Ms. Chai would play a significant role as producer or script writer within 5 years from the date of the agreement.
	5 years, with an option for extension of a further 1 year upon occurrence of a particular event	A film cooperation agreement and a supplemental agreement were entered into with a company owned by Mr. Wong Kar Wai (“Mr. Wong”), pursuant to which Mr. Wong would provide proposals for 5 film projects to be developed by Mr. Wong himself or jointly with others for the group. Moreover, a company (with an authorisation from Mr. Wong) granted the group a priority right for negotiating and contracting with it on the investment of up to 5 Chinese-language motion pictures in which Mr. Wong would play a significant role as director or producer or script writer within 5 years from the date of the agreements with an option for extension for a further 1 year upon occurrence of a particular event.
(b) China 3D Digital Entertainment Limited (stock code: 8078)	3 years	An artist contract was renewed with artist Mr. Cheung Chi Lam for further 3 years.
	3 years	An artist contract was renewed with artist Ms. Ch’ng Se Min for further 3 years.
	5 years	An artist contract was renewed with artist Mr. Wong Chung Yiu Gregory for further 5 years.

Source: relevant annual reports/interim reports/quarterly reports and announcements of the above companies

As illustrated above, the duration of the seven Comparable Agreements is in the range of three years to seven years. The initial duration of six years of the Service Agreements is within the range of the duration of the Comparable Agreements. Save for the Comparable Agreements with Mr. Cheung Chi Lam and Ms. Ch’ng Se Min, duration of the remaining five Comparable Agreements is not less than five years. On the above basis, we are of the opinion that the initial duration of the Service Agreements of six years is in line with normal business practice for agreements of this type.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (1) the Whitewash Waiver, and the terms of the Subscription Agreement, the Service Agreements and the allotment and issue of the Fee Shares are fair and reasonable so far as the Independent Shareholders are concerned; (2) the Subscription, the Service Agreements, the allotment and issue of the Fee Shares and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; (3) the continuing connected transactions contemplated under the Service Agreements are in the ordinary and usual course of business of the Group; (4) the proposed annual caps with respect to the continuing connected transactions contemplated under the Service Agreements for the six financial years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020 are fair and reasonable so far as the Independent Shareholders are concerned; and (5) it is normal business practice for agreements of a similar nature to the Service Agreements to have a duration exceeding 3 years.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription, the allotment and issue of the Fee Shares, the Whitewash Waiver and the Service Agreements (including the proposed annual caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Richard Leung
Director

Mr. Richard Leung is a licensed person and a responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2012, 2013 and 2014; and (ii) the audited assets and liabilities of the Group as at 31 December 2012, 2013 and 2014 as extracted from the annual reports of the Company for the year ended 31 December 2013 and 2014.

(a) Consolidated statement of profit or loss

	For the year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Restated)</i>		
Continuing operations			
Revenue	<u>112,711</u>	<u>98,763</u>	<u>203,803</u>
Gross profit	<u>32,426</u>	<u>26,248</u>	<u>30,071</u>
(Loss)/profit before tax from continuing operations	(64,462)	27,762	(12,796)
Income tax (expense) credit	<u>8,801</u>	<u>8,552</u>	<u>(348)</u>
(Loss)/profit for the year from continuing operations	<u>(55,661)</u>	<u>36,314</u>	<u>(13,144)</u>
Discontinued operations			
Loss for the year from discontinued operations	<u>(1,398)</u>	<u>(1,120)</u>	<u>—</u>
(Loss)/profit for the year	<u>(57,059)</u>	<u>35,194</u>	<u>(13,144)</u>
(Loss)/profit for the year attributable to:			
owners of the Company	(56,500)	35,642	(13,144)
non-controlling interests	<u>(559)</u>	<u>(448)</u>	<u>—</u>
	<u>(57,059)</u>	<u>35,194</u>	<u>(13,144)</u>
		<i>(Restated)</i>	
(Loss)/earnings per share			
From continuing and discontinued operations			
— Basic and diluted	<u>HK(0.21) cents</u>	<u>HK0.10 cents</u>	<u>HK(0.03) cents</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>

(b) Consolidated statement of financial position

	As at 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total assets	301,521	265,529	472,981
Total liabilities	<u>147,038</u>	<u>57,846</u>	<u>136,871</u>
Net assets	<u><u>154,483</u></u>	<u><u>207,683</u></u>	<u><u>336,110</u></u>
Equity attributable to owners of the Company	<u><u>159,734</u></u>	<u><u>207,683</u></u>	<u><u>336,110</u></u>

The auditors of the Company for each of the three years ended 31 December 2012, 2013 and 2014, Deloitte Touche Tohmatsu, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

During the year ended 31 December 2013, reversal of provision for losses on litigation, impairment loss on intangible assets and impairment loss on goodwill of approximately HK\$86.5 million, approximately HK\$24.9 million and approximately HK\$20.9 million respectively were recognised. During the year ended 31 December 2012, impairment loss on intangible assets and impairment loss on goodwill of approximately HK\$20.0 million and approximately HK\$29.9 million respectively were recognised. Save for the aforesaid, the Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

The following is the full text of the audited consolidated financial information of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations			
Revenue	7	203,803	98,763
Cost of sales and service rendered		<u>(173,732)</u>	<u>(72,515)</u>
Gross profit		30,071	26,248
Investment and other income	9A	1,712	18,887
Other losses and gains	9B	(2,322)	942
Reversal of provision for losses on litigation		—	86,500
Selling and distribution costs		(4,170)	(1,041)
Administrative expenses		(34,756)	(48,247)
Impairment loss on goodwill	21	(1,219)	(20,941)
Amortisation of intangible assets	22	—	(9,652)
Impairment loss on intangible assets	22	—	(24,932)
Finance costs	10	<u>(2,112)</u>	<u>(2)</u>
(Loss) profit before tax			
from continuing operations		(12,796)	27,762
Income tax (expense) credit	11	<u>(348)</u>	<u>8,552</u>
(Loss) profit for the year			
from continuing operations	13	(13,144)	36,314
Discontinued operation			
Loss for the year from discontinued operation	12	<u>—</u>	<u>(1,120)</u>
(Loss) profit for the year		(13,144)	35,194
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operation		<u>(1,055)</u>	<u>359</u>
Total comprehensive (expense) income for the year		<u><u>(14,199)</u></u>	<u><u>35,553</u></u>

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) profit attributable to owners of the Company			
— from continuing operations		(13,144)	36,314
— from discontinued operation		<u>—</u>	<u>(672)</u>
(Loss) profit for the year attributable to owners of the Company		<u>(13,144)</u>	<u>35,642</u>
Loss attributable to non-controlling interests			
— from continuing operations		—	—
— from discontinued operation		<u>—</u>	<u>(448)</u>
Loss for the year attributable to non-controlling interests		<u>—</u>	<u>(448)</u>
		<u>(13,144)</u>	<u>35,194</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(14,199)	36,001
Non-controlling interests		<u>—</u>	<u>(448)</u>
		<u>(14,199)</u>	<u>35,553</u>
			<i>(Restated)</i>
(Loss) earnings per share			
From continuing and discontinued operations			
— Basic (<i>HK dollar</i>)	<i>17</i>	<u>(0.03)</u>	<u>0.10</u>
From continuing operations			
— Basic (<i>HK dollar</i>)	<i>17</i>	<u>(0.03)</u>	<u>0.10</u>

Consolidated Statement of Financial Position*At 31 December 2014*

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>18</i>	910	1,845
Note receivable	<i>19</i>	—	9,827
Loan receivable	<i>20</i>	80,000	—
Goodwill	<i>21</i>	<u>4,395</u>	<u>7,059</u>
		<u>85,305</u>	<u>18,731</u>
CURRENT ASSETS			
Trade and other receivables	<i>23</i>	155,759	75,771
Investments held for trading	<i>24</i>	—	41,639
Financial assets at fair value through profit or loss	<i>25</i>	—	9,150
Bank balances and cash	<i>26</i>	<u>231,917</u>	<u>120,238</u>
		<u>387,676</u>	<u>246,798</u>
CURRENT LIABILITIES			
Trade and other payables	<i>27</i>	129,399	56,666
Loan payable	<i>28</i>	6,000	—
Tax payable		<u>1,472</u>	<u>1,180</u>
		<u>136,871</u>	<u>57,846</u>
NET CURRENT ASSETS		<u>250,805</u>	<u>188,952</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>336,110</u>	<u>207,683</u>
NET ASSETS		<u>336,110</u>	<u>207,683</u>
CAPITAL AND RESERVES			
Share capital	<i>30</i>	5,771	3,208
Reserves		<u>330,339</u>	<u>204,475</u>
TOTAL EQUITY		<u>336,110</u>	<u>207,683</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2014*

	Share capital	Share premium	Capital reserve (Note (a))	Contributed surplus	Exchange reserve	Accumulated (losses) profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	2,678	—	2,099	387,487	5,737	(238,267)	159,734	(5,251)	154,483
Profit for the year	—	—	—	—	—	35,642	35,642	(448)	35,194
Exchange differences arising on translation of foreign operation	—	—	—	—	359	—	359	—	359
Total comprehensive income for the year	—	—	—	—	359	35,642	36,001	(448)	35,553
Issue of shares upon placement of shares (Note 30(a))	530	11,660	—	—	—	—	12,190	—	12,190
Share issue expenses	—	(242)	—	—	—	—	(242)	—	(242)
Transfer pursuant to capital reorganisation (Note (b))	—	—	—	(238,267)	—	238,267	—	—	—
Disposal of a subsidiary (Note 33(c))	—	—	—	—	—	—	—	5,699	5,699
At 31 December 2013	3,208	11,418	2,099	149,220	6,096	35,642	207,683	—	207,683
Loss for the year	—	—	—	—	—	(13,144)	(13,144)	—	(13,144)
Exchange differences arising on translation of foreign operation	—	—	—	—	(1,055)	—	(1,055)	—	(1,055)
Total comprehensive expense for the year	—	—	—	—	(1,055)	(13,144)	(14,199)	—	(14,199)
Issue of shares upon placement of shares (Note 30(b))	640	51,200	—	—	—	—	51,840	—	51,840
Issue of shares upon open offer (Note 30(c))	1,923	94,266	—	—	—	—	96,189	—	96,189
Share issue expenses	—	(5,403)	—	—	—	—	(5,403)	—	(5,403)
At 31 December 2014	5,771	151,481	2,099	149,220	5,041	22,498	336,110	—	336,110

Notes:

- (a) The capital reserve arising from the group reorganisation represents the difference between the nominal value of the share capital issued by the Company in exchange for the aggregate nominal values of the share capital of the subsidiaries.
- (b) The credit arising from the capital reduction and the share premium cancellation be credited to the contributed surplus account of the Company and the directors of the Company be and are hereby authorised to apply the amount in the contributed surplus account to the Company to set off the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws of the Company without further authorisation from the shareholders of the Company. Following the approval of set off of contributed surplus against accumulated loss by the board of directors on 24 May 2013, an amount of contributed surplus of HK\$238,267,000 was transferred to accumulated loss.

Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
OPERATING ACTIVITIES			
(Loss) profit before tax		(12,796)	27,238
Adjustments for:			
Depreciation of property, plant and equipment		830	1,015
Impairment loss on goodwill		1,219	20,941
Impairment loss on intangible assets		—	24,932
Amortisation of intangible assets		—	9,652
Impairment loss on trade receivables		1,121	1,159
Impairment loss on other receivables		382	2,807
Write-back of trade payables		—	(887)
Reversal of provision for losses on litigation		—	(86,500)
Loss (gain) on disposals of subsidiaries	33	1,304	(5,122)
Finance costs		2,112	2
Gain on disposal of financial assets at fair value through profit or loss		(570)	—
Gain on disposal of note receivable		(813)	—
Unrealised gains on financial assets at fair value through profit or loss		—	(950)
Unrealised gains of investments held for trading		—	(1,567)
Dividend income from equity securities		—	(156)
Loss on disposal of property, plant and equipment		—	120
Interest income		(1,203)	(4,998)
Operating cash flows before movements in working capital		(8,414)	(12,314)
Increase in trade and other receivables		(73,644)	(37,826)
Decrease in investments held for trading		41,639	36,644
Increase in financial assets at fair value through profit or loss		—	(8,200)
Increase in trade and other payables		61,794	19,066
Cash from (used in) operations		21,375	(2,630)
Income taxes paid		(47)	(1,001)
Income taxes refund		35	107
Interest paid		(1,474)	(2)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<u>19,889</u>	<u>(3,526)</u>

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Net cash inflow on acquisition of subsidiaries	32	4,272	—
Net cash outflow on disposals of subsidiaries	33	(1,614)	(696)
Purchase of property, plant and equipment		(8)	(15)
Proceeds from disposal of note receivable		10,768	—
Proceeds from disposal of financial assets at fair value through profit or loss		9,720	—
Additions of loan receivable		(80,000)	—
Interest received		1,075	4,212
Proceeds from disposal of property, plant and equipment		2	158
Dividend income received		—	156
		<u>—</u>	<u>156</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES		<u>(55,785)</u>	<u>3,815</u>
FINANCING ACTIVITIES			
Proceeds on issue of shares under share placing		51,840	12,190
Proceeds on issue of shares upon open offer		96,189	—
Loan payable raised		6,000	—
Share issue expenses		(5,403)	(242)
Repayment of obligations under a finance lease		—	(113)
		<u>—</u>	<u>(113)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>148,626</u>	<u>11,835</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		112,730	12,124
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		120,238	108,112
Effect of foreign exchange rate changes		<u>(1,051)</u>	<u>2</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		<u><u>231,917</u></u>	<u><u>120,238</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a new interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-INT 21	Levies

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 32 “Offsetting Financial Assets and Financial Liabilities”

The Group has applied the amendments to HKAS 32 “Offsetting financial assets and financial liabilities” for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

Amendments to HKAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The Group has applied the amendments to HKAS 36 “Recoverable amount disclosures for non-financial assets” for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (the “CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 “Fair value measurements”.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will not affect the classification and measurement of the Group’s financial assets and financial liabilities.

HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may not have material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's Ownership Interests in Existing Subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (the "CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Agency commission and service income from property agency is recognised in the accounting period in which the services are rendered, which is generally the time when a formal agreement among the transacted parties is established.

Franchise income is recognised in accordance with the terms of the relevant franchise agreement and when the Group's entitlement to payment has been established.

Advertising agency income is recognised when the services are rendered.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group’s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Share-based Payment Transactions***Equity-settled share-based payment transactions******Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment Losses on Tangible and Intangible Assets other than Goodwill (See the Accounting Policy in respect of Goodwill Above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are comprising of financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Convertible bonds acquired by the Group are designated as financial assets at FVTPL on initial recognition. At the end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair values from remeasurement recognised directly in profit or loss in the period in which they arise.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including note receivable, loan receivable, trade and other receivables, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables and loan payable) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is HK\$4,395,000 (net of accumulated impairment loss of HK\$540,987,000) (2013: carrying amount of goodwill is HK\$7,059,000, net of accumulated impairment loss of HK\$542,701,000).

Estimated Impairment of Trade Receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is HK\$119,499,000 (net of allowance for doubtful debts of HK\$6,551,000) (2013: carrying amount of trade receivables is HK\$56,485,000, net of allowance for doubtful debts of HK\$5,968,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt or reduction in capital.

6. FINANCIAL INSTRUMENTS**6A. Categories of Financial Instruments**

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	464,875	202,704
Financial assets at fair value through profit or loss		
— Held for trading	—	41,639
— Designated as at FVTPL	—	9,150
	<u>464,875</u>	<u>253,493</u>
Financial liabilities		
Amortised cost	125,329	51,967
Loan payable	<u>6,000</u>	<u>—</u>
	<u><u>131,329</u></u>	<u><u>51,967</u></u>

6B. Financial Risk Management Objectives and Policies

The Group's major financial instruments include note receivable, loan receivable, trade and other receivables, investments held for trading, financial assets at fair value through profit or loss, bank balances and cash, trade and other payables and loan payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Currency risk*

The Group operates in Hong Kong and the People's Republic of China (the "PRC") with most of the transactions denominated and settled in Hong Kong dollars, the functional currency of relevant group entities.

The Group is mainly exposed to the Renminbi ("RMB"), British Pounds Sterling ("GBP"), Singapore Dollars ("SGD") and United State Dollars ("USD"), arising from foreign currency trade and other receivables, investments held for trading, bank balances and cash, and trade and other payables.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	(12,915)	(400)	91,152	1,898
USD	—	(98)	8,754	37,371
GBP	—	—	89	1,131
SGD	(129)	—	—	187
	<u>(13,044)</u>	<u>(498)</u>	<u>99,995</u>	<u>41,587</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currency of each group entity against the above foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD, and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rate. A positive number below indicates a decrease in loss or increase in profit where the above foreign currencies strengthen 5% (2013: 5%) against the functional currency of each group entity. For a 5% (2013: 5%) weakening of the above foreign currencies against the functional currency of each group entity, there would be an equal and opposite impact on the loss or profit and the balance below would be opposite.

Sensitivity analysis for currency risk

	2014	2013
	HK\$'000	HK\$'000
Loss/profit for the year	<u>3,265</u>	<u>118</u>

Interest rate risk

The Group is exposed to fair value interest rate risk primarily relate to note receivable, loan receivable and loan payable, as set out in notes 19, 20 and 28.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances because these balances carry interest at prevailing rates and they are of short maturity.

Sensitivity analysis

Regarding the cash flow interest rate risk, the sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank deposits, the analysis is prepared assuming the amount of the relevant asset outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2013: 10 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 10 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2014 would decrease/increase by HK\$541,000 (profit for the year ended 31 December 2013: increase/decrease by HK\$57,000).

Equity and other price risk on investments held for trading

The Group was exposed to equity and other price risk through its investments held for trading. The management managed this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks were mainly concentrated on listed equity and bonds quoted in the open markets.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity and other price risks of investments held for trading at the reporting date.

For the year ended 31 December 2013, if the prices of the respective equity investments had been 5% higher/lower, profit would increase/decrease by HK\$775,000 as a result of the changes in fair value of equity securities held by the Group which was based on the quoted prices of the respective securities in active markets for identical assets.

For the year ended 31 December 2013, if the prices of the respective bonds had been 5% higher/lower, profit would increase/decrease by HK\$964,000 as a result of the changes in fair value of bonds.

The Group's sensitivity to equity and other price risk on investments held for trading has not been presented for 2014 because all the investments held for trading were disposed in the current year.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputations.

The credit quality of the listed bonds as set out in note 24, is determined by external credit-ratings assigned by Moody's and analysed by percentages of the fair value of the debt instruments in each grade of credit-ratings over the total fair value of the listed bonds at the end of the reporting period, is as follows:

	2014	2013
	%	%
Ba2	—	72.7%
B1	—	27.3%
	<u>—</u>	<u>100.0%</u>

The Group did not have significant concentration of credit risk on investment in listed bonds as counterparties are diversified.

The Group had concentration of credit risk on its note receivable as the entire amount of the note receivable was issued by an independent third party. The management of the Group considered that the credit risk on investments in this note receivable was limited as it was issued by a company which shares are listed on the Stock Exchange.

The Group had concentration of credit risk on its loan receivable as the entire amount of the loan receivable is attributed to an independent third party. The management of the Group considers that the credit risk on investments in this loan receivable is limited as the counterparty is a company which shares are listed on the Stock Exchange.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31/12/2014 HK\$'000
2014						
Non-derivative financial liabilities						
Trade and other payables	—	125,329	—	—	125,329	125,329
Loan payable	15%	74	148	6,414	6,636	6,000
		<u>125,403</u>	<u>148</u>	<u>6,414</u>	<u>131,965</u>	<u>131,329</u>
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31/12/2013 HK\$'000
2013						
Non-derivative financial liabilities						
Trade and other payables	—	51,967	—	—	51,967	51,967

6C. Fair Value Measurements of Financial Instruments

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For option based derivative, the fair value is estimated using option pricing model.

The following table gives information about how the fair values of these financial assets are determined (in particular the revaluation technique(s) and inputs used), as well as the level of the fair value hierarchy into which fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2014	31 December 2013				
(1) Held for trading non-derivative financial assets classified as investments held for trading in the statement of financial position	Listed equity securities in Hong Kong — nil	Listed equity securities in Hong Kong — HK\$18,555,000	Level 1	Quoted bid prices in an active market	N/A	N/A
	Listed bonds in overseas — nil	Listed bonds in overseas — HK\$23,084,000				
(2) Financial assets classified as financial assets at fair value through profit or loss in the statement of financial position	Unlisted convertible bonds — nil	Unlisted convertible bonds — HK\$9,150,000	Level 3	For the debt component — discounted cash flow. Future cash flows are discounted by the discount rate. For embedded derivatives (including conversion option) of the bonds — binomial model.	Discount rate determined by reference to the listed bonds in similar rating ranging from Caa2 to CCC-. Stock price volatility determined by the historical volatility of the issuer over the most recent period.	The higher the discount, the lower the fair value. The higher the stock price volatility, the higher the fair value.

Note: For the year ended 31 December 2013, if discount rate to the valuation model was 0.5% higher/lower while all the other variables were held constant, the carrying amount of the unlisted convertible bonds would decrease by nil or increase by HK\$10,000.

For the year ended 31 December 2013, if stock price volatility to the valuation model was 0.5% higher/lower while all the other variables were held constant, the carrying amount of the unlisted convertible bonds would increase by HK\$20,000 or decrease by HK\$10,000.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6D. Fair Value Measurements Recognised in the Consolidated Statement of Financial Position

As at 31 December 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
<i>Fair value through profit or loss</i>				
— Investments held for trading	—	—	—	—
— Fair value through profit or loss	—	—	—	—
	—	—	—	—

As at 31 December 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
<i>Fair value through profit or loss</i>				
— Investments held for trading	41,639	—	—	41,639
— Fair value through profit or loss	<u>—</u>	<u>—</u>	<u>9,150</u>	<u>9,150</u>
	<u>41,639</u>	<u>—</u>	<u>9,150</u>	<u>50,789</u>

There were no transfers between Level 1, 2 and 3 in the current and prior years.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted convertible bonds HK\$'000
At 1 January 2013	—
Purchase	8,200
Gain in profit or loss	<u>950</u>
At 31 December 2013	9,150
Disposal	(9,720)
Gain in profit or loss	<u>570</u>
At 31 December 2014	<u>—</u>

Of the total gains for the year included in profit or loss, HK\$570,000 (2013: HK\$950,000) relates to financial assets designated as at fair value through profit or loss held at the end of the reporting period. Fair value gains or losses on financial assets designated as at fair value through profit or loss are included in “other gains”.

The board of directors of the Company has set up an investment team, which is headed up by the directors and designees (the “Investment Officers”) of the Company, to engage in securities trading and investment operation.

In estimating the fair value of an asset, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent professional qualified valuer to perform the valuation. The Investment Officers work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Investment Officers report the findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

7. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property agency commission and service income in Hong Kong	198,793	89,051
Property agency commission and service income in the PRC	33	1,673
Franchise income	4,977	5,642
Leasing management income	—	2,397
	<u>203,803</u>	<u>98,763</u>

8. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

Following the acquisition of the entire equity interest in Sinofocus Media (Holdings) Limited ("Sinofocus Media") (details are set out in note 32), the Group also engages in advertising agency services and the Group's operations are currently organised into four operating and reportable segments as follows:

Property agency in Hong Kong	—	Provision of property agency and related services, and franchise services in Hong Kong
Property agency in the PRC	—	Provision of property agency and related services in the PRC
Advertising agency in the PRC	—	Provision of advertising agency services in the PRC
Securities trading and investments	—	Securities trading and investments

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segments:

Continuing Operations

	Property agency				Advertising agency				Securities trading and investments		Consolidated	
	Hong Kong		PRC		2014		2013		2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue												
— External sales	203,770	94,693	33	4,070	—	—	—	—	—	203,803	98,763	
Segment (loss) profit	(3,997)	(22,814)	(1,890)	(40,293)	49	—	865	7,095	(4,973)	(56,012)		
Unallocated corporate income										48	98,983	
Unallocated corporate expenses										(7,871)	(15,207)	
Finance costs on finance lease										—	(2)	
Consolidated (loss) profit before tax										(12,796)	27,762	
Other information (included in measure of segment (loss) profit)												
Net (loss) profit on investments held for trading	—	—	—	—	—	—	(1,280)	1,151	(1,280)	1,151		
Investment and other income	468	186	2	1,062	329	—	865	5,156	1,664	6,404		
Depreciation of property, plant and equipment	441	460	369	529	2	—	18	—	830	989		
Loss on disposal of property, plant and equipment	—	—	—	120	—	—	—	—	—	120		
Impairment loss on trade receivables	1,121	76	—	1,083	—	—	—	—	1,121	1,159		
Impairment loss on other receivables	—	—	—	2,807	—	—	—	—	—	2,807		
Write-back of trade payables	—	—	—	(887)	—	—	—	—	—	(887)		
Impairment loss on goodwill	1,219	20,941	—	—	—	—	—	—	1,219	20,941		
Impairment loss on intangible assets	—	—	—	24,932	—	—	—	—	—	24,932		
Amortisation of intangible assets	—	—	—	9,652	—	—	—	—	—	9,652		

All of the segment revenue reported above are from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income (which mainly includes loan interest income and bank interest income), unallocated corporate expenses (which mainly include loss on disposals of subsidiaries and administrative expenses) and finance costs on finance lease. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments from continuing operations:

	Property agency				Advertising agency				Securities trading and investments		Unallocated		Consolidated	
	Hong Kong		PRC		2014		2013		2014	2013	2014	2013	2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS														
Segment assets	175,105	109,502	1,337	5,933	108,110	—	56	62,160	—	—	284,608	177,595		
Unallocated assets	—	—	—	—	—	—	—	—	188,373	87,934	188,373	87,934		
Consolidated total assets											<u>472,981</u>	<u>265,529</u>		
LIABILITIES														
Segment liabilities	119,346	54,424	569	415	12,505	—	1,999	1,663	—	—	134,419	56,502		
Unallocated liabilities	—	—	—	—	—	—	—	—	2,452	1,344	2,452	1,344		
Consolidated total liabilities											<u>136,871</u>	<u>57,846</u>		

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than loan receivable, certain other receivables and bank balances and cash; and
- all liabilities are allocated to operating and reportable segments other than certain other payables and tax payable.

Entity-wide Disclosures

Geographical information

The Group's current operations are mainly located in the PRC, Europe and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	202,223	94,443	84,811	17,855
PRC	411	4,320	494	876
Europe	<u>1,169</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>203,803</u>	<u>98,763</u>	<u>85,305</u>	<u>18,731</u>

Information about Major Customers

For the years ended 31 December 2014 and 2013, revenue from continuing operations from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A ¹	37,435	12,044
Customer B ¹	30,492	— ²
Customer C ¹	24,936	— ²
Customer D ¹	— ²	15,882
	<u> </u>	<u> </u>

¹ Revenue from property agency in Hong Kong.

² The corresponding customer did not contribute over 10% of the total revenue of the Group.

9A. INVESTMENT AND OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Interest on bank deposits	550	907
Interest on debt securities	490	3,400
Imputed interest on note receivable	128	691
Interest on loan receivable	35	—
Refund of litigation cost	—	7,376
Gain on disposals of subsidiaries	—	5,122
Write-back of trade payables	—	887
Dividends from equity securities	—	156
Sundry income	509	348
	<u> </u>	<u> </u>
	<u>1,712</u>	<u>18,887</u>

9B. OTHER LOSSES AND GAINS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Net (loss) profit on investments held for trading	(1,280)	1,151
Gain on fair value change of financial assets at fair value through profit or loss	570	950
Gain on disposal of note receivable	813	—
Impairment loss on trade receivables	(1,121)	(1,159)
Loss on disposals of subsidiaries	(1,304)	—
	<u> </u>	<u> </u>
	<u>(2,322)</u>	<u>942</u>

10. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Interest expense on loan payable and other borrowings	2,112	—
Interest charges on finance lease	<u>—</u>	<u>2</u>
	<u><u>2,112</u></u>	<u><u>2</u></u>

11. INCOME TAX EXPENSE (CREDIT)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The tax charge (credit) comprises:		
Continuing operations		
Hong Kong Profits Tax		
— Provision for the year	348	94
Deferred tax — current year (<i>Note</i>)	<u>—</u>	<u>(8,646)</u>
	<u><u>348</u></u>	<u><u>(8,552)</u></u>

Note: The deferred tax credit arises from the release of deferred tax liabilities upon the amortisation of and impairment on intangible assets which arose from the acquisition of subsidiaries.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense (credit) for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) profit before tax (from continuing operations)	<u>(12,796)</u>	<u>27,762</u>
Tax at the applicable rate of 16.5% (2013: 16.5%)	(2,111)	4,581
Tax effect of expenses not deductible for tax purpose	2,151	3,735
Tax effect of income not taxable for tax purpose	(545)	(15,501)
Tax effect of temporary difference not recognised	1,971	—
Tax effect of tax loss not recognised	808	1,963
Utilisation of tax loss previously not recognised	(1,879)	(665)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(47)</u>	<u>(2,665)</u>
Income tax expense (credit) for the year (relating to continuing operations)	<u><u>348</u></u>	<u><u>(8,552)</u></u>

Details of deferred taxation are set out in note 29.

12. DISCONTINUED OPERATION

During the year ended 31 December 2013, the Group through its wholly-owned subsidiary, Prosper Overseas Limited, entered into a sale and purchase agreement with Mr. Ng Kai Lok, Paul (the “Purchaser”), a non-controlling shareholder of Yanyan Force Limited (“Yanyan Force”) and a close family member of a director of the Company, to dispose of its entire 60% equity interest and the shareholder’s loan in Yanyan Force at a consideration of HK\$100,000. The operation of Yanyan Force is toy products trading and represents the Group’s toy products trading segment for segment reporting purposes. The disposal was completed on 6 August 2013, on which date control of Yanyan Force passed to the Purchaser. The carrying amounts of the assets and liabilities of Yanyan Force are disclosed in note 33(c).

The loss from the discontinued operation for the period ended 6 August 2013 was analysed as follows:

	2013 <i>HK\$’000</i>
Revenue	661
Cost of sales	(639)
Selling and distribution expenses	(176)
Administrative expenses	<u>(370)</u>
Loss before tax	(524)
Taxation	<u>(596)</u>
Loss for the period	<u><u>(1,120)</u></u>
Loss for the period attributable to:	
Owners of the Company	(672)
Non-controlling interests	<u>(448)</u>
	<u><u>(1,120)</u></u>

Loss before tax from discontinued operation for the period ended 6 August 2013 has been arrived at after charging:

	2013 <i>HK\$’000</i>
Directors’ emoluments	—
Other staff costs:	
— Salaries and other benefits	8
— Retirement benefits scheme contributions	<u>1</u>
Total staff costs	<u>9</u>
Depreciation of property, plant and equipment	1
Cost of inventories recognised as expenses	<u><u>615</u></u>

The cash flows of the discontinued operation for the period ended 6 August 2013 were as follows:

	2013 <i>HK\$’000</i>
Net cash inflow from operating activities	54
Net cash outflow from financing activities	<u><u>(1,500)</u></u>

13. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2014 HK\$'000	2013 HK\$'000
(Loss) profit for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions (<i>note 14</i>)	1,350	6,222
Other staff costs	12,070	16,954
Other retirement benefits scheme contributions	<u>595</u>	<u>568</u>
Total staff costs	<u>14,015</u>	<u>23,744</u>
Auditor's remuneration	1,278	1,276
Depreciation of property, plant and equipment	830	1,014
Impairment loss on trade receivables	1,121	1,159
Impairment loss on other receivables	382	2,807
Loss on disposal of property, plant and equipment	—	120
Operating lease payments for office premises, shops and photocopying machines	4,569	4,368
Commission expense on property agency	173,602	70,501
Loss (gain) on disposals of subsidiaries	1,304	(5,122)
Interest income	<u>(1,203)</u>	<u>(4,998)</u>

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

For the year ended 31 December 2014

	Mr. Lei Hong Wai ("Mr. Lei") HK\$'000 (Note (d))	Mr. Ng Kai Man ("Mr. Ng") HK\$'000	Mr. Cheung Kwok Fan ("Mr. Cheung") HK\$'000 (Note (d))	Ms. Chio Chong Meng HK\$'000 (Note (d))	Mr. Wong Tak Chuen ("Mr. Wong") HK\$'000 (Note (d))	Mr. Man Kong Yui HK\$'000 (Note (d))	Mr. Lui Siu Tsuen, Richard HK\$'000 (Note (c))	Mr. Ding Chung Keung HK\$'000 (Note (b))	Ms. Cheung Sze Man HK\$'000 (Note (c))	Total HK\$'000
Fees	—	—	—	113	113	113	50	38	50	477
Salaries and other benefits	112	625	112	—	—	—	—	—	—	849
Retirement benefits scheme contributions	<u>5</u>	<u>14</u>	<u>5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24</u>
Total emoluments	<u>117</u>	<u>639</u>	<u>117</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>50</u>	<u>38</u>	<u>50</u>	<u>1,350</u>

For the year ended 31 December 2013

	Mr. Ng <i>HK\$'000</i>	Mr. Cheng Yuk Wo <i>HK\$'000</i> <i>(Note (a))</i>	Mr. Lui Siu Tsuen, Richard <i>HK\$'000</i> <i>(Note (c))</i>	Mr. Ding Chung Keung <i>HK\$'000</i> <i>(Note (b))</i>	Ms. Cheung Sze Man <i>HK\$'000</i> <i>(Note (c))</i>	Total <i>HK\$'000</i>
Fees	—	—	138	138	138	414
Salaries and other benefits	4,988	790	—	—	—	5,778
Retirement benefits scheme contributions	<u>15</u>	<u>15</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30</u>
Total emoluments	<u><u>5,003</u></u>	<u><u>805</u></u>	<u><u>138</u></u>	<u><u>138</u></u>	<u><u>138</u></u>	<u><u>6,222</u></u>

Notes:

- (a) Resigned on 31 December 2013
- (b) Resigned on 27 March 2014
- (c) Resigned on 10 April 2014
- (d) Appointed on 10 April 2014

Mr. Ng has resigned as the Chief Executive of the Company on 10 April 2014. Mr. Lei was appointed as the Chief Executive of the Company on 10 April 2014 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For both 2014 and 2013, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2014 and 2013.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2013: two) was/were director(s) of the Company, whose emoluments are included in note 14 above. The emoluments of the remaining four individuals (2013: three) were as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other benefits	2,794	1,907
Retirement benefits scheme contributions	<u>67</u>	<u>45</u>
	<u><u>2,861</u></u>	<u><u>1,952</u></u>

Their emoluments were within the following band:

	Number of employees	
	2014	2013
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>—</u>

16. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of both reporting periods.

17. (LOSS) EARNINGS PER SHARE**From Continuing and Discontinued Operations**

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic (loss) earnings per share	<u>(13,144)</u>	<u>35,642</u>
	Number of ordinary shares	
	2014 <i>'000</i>	2013 <i>'000</i> <i>(Restated)</i>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share (<i>Note</i>)	<u>485,699</u>	<u>349,709</u>

Note: The weighted average number of shares for the purposes of calculating basic (loss) earnings per share for the year ended 31 December 2013 was adjusted to reflect the effects of open offer of shares in June 2014 (note 30(c)).

No diluted (loss) earnings per share is presented in both years, as there were no potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

The calculation of the basic (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(Loss) earnings for the year attributable to owners of the Company	(13,144)	35,642
Less: Loss for the year from discontinued operation	<u>—</u>	<u>672</u>
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	<u>(13,144)</u>	<u>36,314</u>

The denominators used in calculation of the basic (loss) earnings per share attributable to owners of the Company from continuing operations are the same as those for (loss) earnings per share for the year from continuing and discontinued operations.

From Discontinued Operation

Basic loss per share from discontinued operation was HK\$0.002 per share for the year ended 31 December 2013, based on the loss for the period ended 6 August 2013 attributable to the owners of the Company from discontinued operation of approximately HK\$672,000 and the denominators detailed above.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture fixtures and equipments <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2013	2,053	1,546	1,349	4,948
Additions	—	15	—	15
Disposals	—	(289)	(478)	(767)
Disposals of subsidiaries	—	(42)	—	(42)
Exchange realignment	35	26	14	75
At 31 December 2013	2,088	1,256	885	4,229
Additions	—	8	—	8
Disposals	—	(5)	—	(5)
Acquisition of assets through acquisition of subsidiaries	—	7	—	7
Disposals of subsidiaries	(57)	(633)	(325)	(1,015)
Exchange realignment	(30)	(16)	—	(46)
At 31 December 2014	2,001	617	560	3,178
DEPRECIATION				
At 1 January 2013	670	611	572	1,853
Provided for the year	425	339	251	1,015
Eliminated on disposals	—	(252)	(237)	(489)
Eliminated on disposals of subsidiaries	—	(29)	—	(29)
Exchange realignment	15	13	6	34
At 31 December 2013	1,110	682	592	2,384
Provided for the year	407	249	174	830
Eliminated on disposals	—	(3)	—	(3)
Eliminated on disposals of subsidiaries	(44)	(573)	(300)	(917)
Exchange realignment	(17)	(9)	—	(26)
At 31 December 2014	1,456	346	466	2,268
CARRYING VALUES				
At 31 December 2014	545	271	94	910
At 31 December 2013	978	574	293	1,845

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipments	20%
Motor vehicles	20%

19. NOTE RECEIVABLE

During the year, the note receivable with carrying amount of HK\$9,955,000 was disposed at a consideration of HK\$10,768,000 and a gain on disposal of HK\$813,000 was recognised in the profit or loss. Effective interest of HK\$128,000 (2013: HK\$691,000) was included in investment and other income during the year.

20. LOAN RECEIVABLE

On 30 December 2014, the Group granted a loan with the principal amount of HK\$80,000,000 to Mastermind Capital Limited, a company with its shares listed on the Stock Exchange, for a term of two years. The interest rate is 8.00% per annum, payable monthly and the default interest rate is 16.00% per annum on the default payment from the date of default until the sum is paid.

At initial recognition, the fair value of the loan receivable was measured at present value of contractual future cash flows discounted at effective interest rate of 8.00%, taking into account the remaining time to maturity. The loan receivable carries fixed interest rate at 8.00% per annum with maturity on 29 December 2016.

As at 31 December 2014, the carrying amount of loan receivable was measured at amortised cost of HK\$80,000,000. The interest of HK\$35,000 is included in investment and other income during the year.

21. GOODWILL

	Property agency		Toy	Total
	Hong Kong	PRC	products trading	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 January 2013	429,960	116,343	4,201	550,504
Exchange realignment	—	3,457	—	3,457
Disposal of a subsidiary	—	—	(4,201)	(4,201)
At 31 December 2013	429,960	119,800	—	549,760
Exchange realignment	—	(2,933)	—	(2,933)
Disposal of subsidiaries (note 33(a))	(1,445)	—	—	(1,445)
At 31 December 2014	428,515	116,867	—	545,382
IMPAIRMENT				
At 1 January 2013	401,960	116,343	4,201	522,504
Impairment loss recognised in the year	20,941	—	—	20,941
Exchange realignment	—	3,457	—	3,457
Eliminated on disposal of a subsidiary	—	—	(4,201)	(4,201)
At 31 December 2013	422,901	119,800	—	542,701
Impairment loss recognised in the year	1,219	—	—	1,219
Exchange realignment	—	(2,933)	—	(2,933)
At 31 December 2014	424,120	116,867	—	540,987
NET CARRYING AMOUNT				
At 31 December 2014	4,395	—	—	4,395
At 31 December 2013	7,059	—	—	7,059

Goodwill is allocated to the groups of CGUs identified according to operating segment. The entire net carrying amount of goodwill as at 31 December 2014 has been allocated to the property agency segment in Hong Kong. The goodwill allocated to the property agency segment in the PRC has been fully impaired in 2012. The goodwill allocated to the toy products trading segment located in Hong Kong has been fully impaired in 2007 and eliminated on disposal during the year ended 31 December 2013.

Property Agency in Hong Kong

The recoverable amount of the CGUs of property agency segment in Hong Kong was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 19.10% (2013: 20.74%). Cash flows beyond the five-year period were extrapolated using a 3.42% (2013: 3.35%) growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by the deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013, certain regulations on selling first-hand properties in April 2013 and new mortgage-tightening measures in February 2015. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2013 on the potential profitability could not be met and as a result, goodwill was impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK\$1,219,000 (2013: HK\$20,941,000) was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated statement of profit or loss and other comprehensive income.

The key assumption used in the value-in-use calculations is as follows:

Budgeted Commission Income

Budgeted commission income is based on the forecasted number of first-hand properties launched to the market in the next five years. The values assigned to the key assumption are consistent with external sources of information. It reflects past experience and is consistent with the directors' plans for focusing operations in this market. The directors believe that the budgeted commission income for the next five years is reasonably achievable.

22. INTANGIBLE ASSETS

The contracted and uncontracted customer relationship has an estimated useful life of five years and is amortised on a straight-line basis. The customer relationship is in relation to the property agency business in the PRC.

	<i>HK\$'000</i>
COST	
At 1 January 2013	89,198
Exchange realignment	<u>2,650</u>
At 31 December 2013	91,848
Exchange realignment	<u>(2,249)</u>
At 31 December 2014	<u>89,599</u>
AMORTISATION AND IMPAIRMENT	
At 1 January 2013	55,143
Provided for the year	9,652
Impairment loss recognised in the year	24,932
Exchange realignment	<u>2,121</u>
At 31 December 2013	91,848
Exchange realignment	<u>(2,249)</u>
At 31 December 2014	<u>89,599</u>
CARRYING VALUE	
At 31 December 2014	<u><u>—</u></u>
At 31 December 2013	<u><u>—</u></u>

Property Agency in the PRC

As at 31 December 2013, the recoverable amount of the CGUs of property agency in the PRC was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 19.54%. Cash flows beyond the five-year period were extrapolated using 3.25% growth rate in considering the economic conditions of the market. The estimated growth rates used were comparable to the growth rate for the industry.

Since the acquisition of the PRC property agency business in 2011, the PRC government has implemented various restrictive policies on the property market to curb speculative investments and home-purchase restrictions have been implemented in many cities in the PRC. In March 2013, certain demand-side management measures were released limiting the property purchase and tightening the mortgage requirements. The management of the Company therefore was of the opinion that their previous expectation on expected revenue growth and market development of the property agency business in the PRC could not be met and as a result, the remaining intangible assets were accordingly fully impaired during the year ended 31 December 2013.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK\$24,932,000 was recognised to intangible assets for the year ended 31 December 2013. Amortisation of HK\$9,652,000 was also recognised to intangible assets for the year ended 31 December 2013.

23. TRADE AND OTHER RECEIVABLES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	126,050	62,453
Less: Allowance for doubtful debts	<u>(6,551)</u>	<u>(5,968)</u>
	119,499	56,485
Deposits paid	2,588	2,794
Prepayments	213	338
Other receivables	<u>33,459</u>	<u>16,154</u>
	<u>155,759</u>	<u>75,771</u>

For property agency segment in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For franchise operation from property agency segment in Hong Kong, the Group allows an average credit period of 7 days to its franchisee. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
0–30 days	14,276	14,585
31–60 days	13,381	16,208
61–90 days	19,354	10,865
91–180 days	40,755	7,736
Over 180 days	<u>31,733</u>	<u>7,091</u>
	<u>119,499</u>	<u>56,485</u>

These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly. All of the accounts receivables that are neither past due nor impaired have no default payment history.

As at 31 December 2014, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$58,353,000 (2013: HK\$11,143,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

Ageing of Trade Receivables which are Past Due but not Impaired

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Overdue by:		
1–90 days	50,954	8,153
91–180 days	5,483	1,823
Over 180 days	<u>1,916</u>	<u>1,167</u>
	<u>58,353</u>	<u>11,143</u>

Movements in the Allowance for Doubtful Debts

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1 January	5,968	4,697
Impairment losses recognised on receivables	1,121	1,159
Amounts written off during the year as uncollectible	(279)	—
Disposals of subsidiaries	(259)	—
Exchange realignment	<u>—</u>	<u>112</u>
At 31 December	<u>6,551</u>	<u>5,968</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$6,551,000 (2013: HK\$5,968,000). The Group does not hold any collateral over these balances.

Included in other receivables at 31 December 2014 were deposits paid to the property developer of HK\$24,518,000 (2013: HK\$12,450,000) for purchasing the first-hand properties on behalf of its customers and legal claim receivable of HK\$8,352,000 (2013: nil) during the year, as set out in note 38.

24. INVESTMENTS HELD FOR TRADING

Investments held for trading at the end of the reporting period included:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed securities:		
Equity securities listed in Hong Kong (<i>Note a</i>)	—	18,555
Listed bonds (<i>Note b</i>)	<u>—</u>	<u>23,084</u>
	<u>—</u>	<u>41,639</u>

Notes:

- (a) The fair value was based on the quoted prices of the respective securities in active markets.
- (b) The bonds held by the Group are listed in overseas and carried fixed interest rate ranging from 6.50% to 11.25% per annum. The bonds were disposed before the maturity dates. Their fair values were determined based on quoted market bid prices available in an active market.

At 31 December 2014 and 2013, no investments held for trading have been pledged as security.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 December 2014, the unlisted convertible bonds were disposed at its fair value of HK\$9,720,000 and a gain on fair value change of HK\$570,000 was recognised in the profit or loss.

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest-bearing ranging from 0.01% to 4.60% (2013: 0.01% to 1.25%) and have original maturity of three months or less.

27. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	109,340	50,002
Other payables	8,055	6,664
Provision for losses on litigation (<i>note 38</i>)	<u>12,004</u>	<u>—</u>
	<u><u>129,399</u></u>	<u><u>56,666</u></u>

Commissions payables of HK\$109,340,000 (2013: HK\$50,002,000) include mainly the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Other payables mainly comprise of receipts in advance, accrued staff costs and other sundry creditors.

28. LOAN PAYABLE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loans from other entity	<u>6,000</u>	<u>—</u>
Secured (<i>Note</i>)	<u>6,000</u>	<u>—</u>
Carrying amount repayable within one year	6,000	—
Less: Amount shown under current liabilities	<u>(6,000)</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>

Note: The loan payable is secured by an undated share charge over the entire issued share capital of Kingbox Investments Limited (“Kingbox”), a wholly-owned subsidiary of the Company, and the shareholder’s loan due by Kingbox to the Company.

The loan payable carries fixed interest rate of 15.00% and is repayable within one year. The proceeds were used to finance the general working capital.

29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior year.

	Fair value adjustments on intangible assets <i>HK\$'000</i>
At 1 January 2013	8,514
Credit to profit or loss	(8,646)
Exchange realignment	<u>132</u>
At 31 December 2013 and 2014	<u><u>—</u></u>

At the end of the reporting period, the Group has unused tax losses of HK\$99,871,000 (2013: HK\$106,362,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses as at 31 December 2014 are losses of HK\$13,415,000, nil, HK\$6,357,000 and HK\$513,000 that will expire in 2016, 2017, 2018 and 2019 respectively. Included in unrecognised tax losses as at 31 December 2013 are losses of HK\$13,415,000, nil and HK\$6,357,000 that will expire in 2016, 2017 and 2018 respectively. Other losses may be carried forward indefinitely.

30. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares		
At 1 January 2013, 31 December 2013 and 31 December 2014, at HK\$0.01 each	<u>50,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2013	267,759	2,678
Issue of shares upon placement of shares (<i>Note (a)</i>)	<u>53,000</u>	<u>530</u>
At 31 December 2013	320,759	3,208
Issue of shares upon placement of shares (<i>Note (b)</i>)	64,000	640
Issue of shares upon open offer of shares (<i>Note (c)</i>)	<u>192,379</u>	<u>1,923</u>
At 31 December 2014	<u><u>577,138</u></u>	<u><u>5,771</u></u>

Notes:

- (a) Pursuant to a placing agreement dated 22 January 2013, 53,000,000 shares were allotted and issued at a placing price of HK\$0.23 per share on 31 January 2013.
- (b) Pursuant to a placing agreement dated 25 April 2014, 64,000,000 shares were allotted and issued at a placing price of HK\$0.81 per share on 5 May 2014. The net proceeds from the placement of shares is approximately HK\$49,955,000, which is intended to be used for expanding into a new business, namely the provision of mortgage financing. For the details of the placement of shares, please refer to the Company's announcement dated 25 April 2014.

- (c) Pursuant to an underwriting agreement in respect of the open offer dated 25 April 2014, 192,379,617 shares were allotted and issued at HK\$0.50 per share on 16 June 2014. The net proceeds from the open offer of shares is approximately HK\$92,671,000, which is intended to be used for expanding into a new business, namely the provision of mortgage financing. For the details of the open offer, please refer to the Company's announcement dated 25 April 2014.

31. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries		66,914	1
Loan receivable		<u>80,000</u>	<u>—</u>
		<u>146,914</u>	<u>1</u>
CURRENT ASSETS			
Amounts due from subsidiaries		73,310	171,046
Other receivables		180	2,307
Bank balances and cash		<u>35,823</u>	<u>4,685</u>
		<u>109,313</u>	<u>178,038</u>
CURRENT LIABILITIES			
Other payables		2,450	1,343
Loan payable		<u>6,000</u>	<u>—</u>
		<u>8,450</u>	<u>1,343</u>
NET CURRENT ASSETS		<u>100,863</u>	<u>176,695</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>247,777</u>	<u>176,696</u>
NET ASSETS		<u><u>247,777</u></u>	<u><u>176,696</u></u>
CAPITAL AND RESERVES			
Share capital	<i>30</i>	5,771	3,208
Reserves	<i>(a)</i>	<u>242,006</u>	<u>173,488</u>
TOTAL EQUITY		<u><u>247,777</u></u>	<u><u>176,696</u></u>

Notes:

(a) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013	—	437,435	(302,307)	135,128
Profit for the year and total comprehensive income for the year	—	—	26,942	26,942
Issue of shares upon placement of shares	11,660	—	—	11,660
Share issue expenses	(242)	—	—	(242)
Transfer pursuant to capital reorganisation	—	(238,267)	238,267	—
At 31 December 2013	<u>11,418</u>	<u>199,168</u>	<u>(37,098)</u>	<u>173,488</u>
Loss for the year and total comprehensive expense for the year	—	—	(71,545)	(71,545)
Issue of shares upon placement of shares	51,200	—	—	51,200
Issue of shares upon open offer of shares	94,266	—	—	94,266
Share issue expenses	(5,403)	—	—	(5,403)
At 31 December 2014	<u><u>151,481</u></u>	<u><u>199,168</u></u>	<u><u>(108,643)</u></u>	<u><u>242,006</u></u>

(b) Contributed surplus

The contribution surplus represented reduction in issued share capital pursuant to a capital restructuring in 2004, capital reorganisations in 2011 and 2012. Under the Company Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2014, the Company entered into a sale and purchase agreement with an independent third party, Frontier Services Group Limited (“Frontier Services”), to acquire of the entire equity interest and the shareholder’s loan in Sinofocus Media at a consideration of HK\$97,000,000. The operation of Sinofocus Media and its subsidiaries is provision of advertising agency services in the PRC and represents the Group’s advertising agency segment for segment reporting purposes. The acquisition was completed on 10 November 2014, on which date control of Sinofocus Media passed to the Group. The acquisition has been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

Net assets acquired:

	2014 <i>HK\$’000</i>
Property, plant and equipment	7
Other receivables	9,056
Bank balances and cash	101,400
Other payables	(13,335)
Shareholder’s loan	<u>(73,308)</u>
	23,820
Sale of shareholder’s loan	<u>73,308</u>
	<u><u>97,128</u></u>

Consideration paid:

	2014 <i>HK\$’000</i>
Consideration paid	97,000
Transaction costs	<u>128</u>
Total consideration	<u><u>97,128</u></u>

Net cash inflow arising on acquisition of assets through acquisition of subsidiaries:

	2014 <i>HK\$’000</i>
Bank balances and cash acquired	101,400
Cash consideration paid	<u>(97,128)</u>
Net cash inflow	<u><u>4,272</u></u>

33. DISPOSALS OF SUBSIDIARIES

- (a) During the year ended 31 December 2014, the Company through its wholly-owned subsidiary, Century 21 (HK) Group Limited, entered into a sale and purchase agreement with Menkin Limited (“Menkin”), which is wholly owned by Mr. Ng (defined in note 14), a director of the Company, in relation to the disposal of the entire equity interest in Century 21 Hong Kong Limited and its subsidiary (“Century 21 Hong Kong Group”) at a consideration of HK\$4,500,000. Century 21 Hong Kong Group is principally engaged in the provision of franchise services in Hong Kong and Macau. The disposal was completed on 12 December 2014, on which date control of Century 21 Hong Kong Limited passed to Menkin.

The net assets of Century 21 Hong Kong Group at the date of disposal were as follows:

Consideration received:

	2014 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	4,500
Less: Transaction cost	<u>(315)</u>
	<u><u>4,185</u></u>

Analysis of assets and liabilities over which control was lost:

	2014 <i>HK\$'000</i>
Goodwill (<i>Note</i>)	1,445
Property, plant and equipment	98
Cash and cash equivalents	5,799
Trade and other receivables	1,034
Trade and other payables	(2,842)
Tax payables	<u>(45)</u>
Net assets disposed of	<u><u>5,489</u></u>

Note: The recoverable amount of the CGUs of Century 21 Hong Kong Limited was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 19.37%. Cash flows beyond the five-year period were extrapolated using a 3.42% growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for the value-in-use calculations related to the estimation of cash flows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by the deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013, certain regulations on selling first-hand properties in April 2013 and new mortgage-tightening measures in February 2015. The recoverable amount of the unit as at 12 December 2014 is HK\$1,445,000.

Loss on disposal of subsidiaries:

	2014 <i>HK\$'000</i>
Net assets disposed of	5,489
Transaction costs	315
Loss on disposal	<u>(1,304)</u>
Total consideration	<u><u>4,500</u></u>

Net cash outflow on disposal of subsidiaries:

	2014 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	4,185
Less: Cash and cash equivalents disposed of	<u>(5,799)</u>
	<u><u>(1,614)</u></u>

- (b) During the year ended 31 December 2014, the Company entered into a sale and purchase agreement with EDS Wellness Holdings Limited (“EDS”) to dispose of the entire equity interest in Century Capital Holdings Limited (“Century Capital”) and the shareholder’s loan due by Century Capital of HK\$747,000 at a consideration of HK\$1. Mr. Lei, Mr. Cheung and Mr. Wong (defined in note 14), the directors of the Company, are also the directors of Eternity Investment Limited, a major shareholder of EDS. Century Capital is an investment holding company and its subsidiaries are inactive. The disposal was completed on 18 December 2014, on which date control of Century Capital passed to EDS.

The net liabilities of Century Capital and its subsidiaries at the date of disposal were as follows:

Consideration received:

	2014 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	<u><u>—</u></u>

Analysis of liabilities over which control was lost:

	2014 <i>HK\$'000</i>
Shareholder’s loan	<u>(747)</u>
Net liabilities disposed of	<u><u>(747)</u></u>

Gain on disposal of subsidiaries:

	2014 <i>HK\$'000</i>
Net liabilities disposed of	(747)
Sales of shareholder's loan	747
Gain on disposal	<u>—</u>
Total consideration	<u><u>—</u></u>

Net cash inflow on disposal of subsidiaries:

	2014 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	<u><u>—</u></u>

- (c) As referred to in note 12, on 6 August 2013, the Group discontinued its toy products trading operation at the time of disposal of its subsidiary, Yanyan Force. The net liabilities of Yanyan Force at the date of disposal were as follows:

Consideration received:

	2013 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	100
Less: transaction cost	<u>(36)</u>
	<u><u>64</u></u>

Analysis of assets and liabilities over which control was lost:

	2013 <i>HK\$'000</i>
Property, plant and equipment	4
Cash and cash equivalents	398
Trade and other receivables	670
Trade and other payables (<i>Note</i>)	(27,555)
Tax payables	<u>(500)</u>
Net liabilities disposed of	<u><u>(26,983)</u></u>

Note: Included in other payables was the amount due to a non-controlling shareholder of Yanyan Force of HK\$16,397,000 which was unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of Yanyan Force was a close family member of Mr. Ng (defined in note 14), a director of the Company.

Gain on disposal of a subsidiary:

	2013 <i>HK\$'000</i>
Net liabilities disposed of	(26,983)
Sales of shareholder's loan	16,397
Non-controlling interests	5,699
Transaction cost	36
Gain on disposal	<u>4,951</u>
Total consideration	<u><u>100</u></u>

Net cash outflow on disposal of a subsidiary:

	2013 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	64
Less: cash and cash equivalents disposed of	<u>(398)</u>
	<u><u>(334)</u></u>

The impact of Yanyan Force on the Group's result and cash flows in the prior period is disclosed in note 12.

- (d) On 28 June 2013, New Leader Limited, a wholly-owned subsidiary of the Group entered into an agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of Guangzhou MAG Real Estate Investment Consultants Limited ("GZ MAG") to several independent third parties ("the Contractors") for 5 years commencing from 1 July 2013 to 30 June 2018 with no consideration. The Contractors in return will pay 2% on the total revenue arising from GZ MAG to the Group.

Consideration received:

	2013 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	—
Deferred proceeds	<u>110</u>
Total consideration	<u><u>110</u></u>

The Group lost control on GZ MAG since 1 July 2013. The net liabilities of GZ MAG at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	2013 <i>HK\$'000</i>
Property, plant and equipment	9
Other receivables	38
Cash and cash equivalents	362
Trade and other payables	<u>(443)</u>
Net liabilities disposed of	<u><u>(34)</u></u>

Gain on deemed disposal of a subsidiary:

	2013 <i>HK\$'000</i>
Total consideration	110
Net liabilities disposed of	34
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	<u>27</u>
Gain on deemed disposal	<u><u>171</u></u>

Net cash outflow on deemed disposal of a subsidiary:

	2013 <i>HK\$'000</i>
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalents disposed of	<u>(362)</u>
	<u><u>(362)</u></u>

34. OPERATING LEASES**The Group As Lessee**

The Group made minimum lease payments paid under operating leases in respect of office premises, shops and photocopying machines of approximately HK\$4,569,000 (2013: HK\$4,368,000) from continuing operations.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	3,038	3,256
In the second to fifth year inclusive	<u>477</u>	<u>1,725</u>
	<u><u>3,515</u></u>	<u><u>4,981</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises, shops and photocopying machines. Leases are negotiated and rentals are fixed for lease terms of one to five years (2013: one to five years).

35. SHARE OPTIONS SCHEME

Pursuant to the resolution passed at an annual general meeting held on 17 June 2014, the Company adopted a share option scheme (the "Scheme"). The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of the Scheme include the Company's or its subsidiaries' executive directors, non-executive directors and employees, and any business consultants, agents, financial or legal advisers and any other persons who the board of director consider, at its sole discretion, will contribute or have contributed to the Group.

The grant of share options should be accepted within 30 days from the date of the grant, at a consideration of HK\$1, being payable by the grantee upon the acceptance of grant. The options may be exercised at any time within the period commencing from the date of grant of the options and expiring on the date determined by the directors, but in any event such exercise period shall not exceed a period of ten years commencing on the date the relevant option is deemed to be granted.

The exercise price of the share options was determinable by the directors, but was not able to be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

At 31 December 2014 and 2013, there were no outstanding share options and there were no share options granted for the years ended 31 December 2014 and 2013.

36. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK\$1,500 (increased from HK\$1,250 to HK\$1,500 effective on 1 June 2014) or 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 20% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

37. RELATED PARTY DISCLOSURES**(A) Related Party Balance**

There is no outstanding balance with related party at 31 December 2014 and 2013.

(B) Compensation of Key Management Personnel

The remuneration of directors which are considered as key management personnel of the Group during the year is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	1,326	6,192
Post-employment benefits	<u>24</u>	<u>30</u>
	<u><u>1,350</u></u>	<u><u>6,222</u></u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. LITIGATION

During the year, the Group's subsidiaries, Sinofocus Media and 廣東中觀傳媒有限公司 (“Guangdong Sinofocus”) initiated a legal claim against 遼寧廣播電視廣告有限公司 (“Liaoning Radio”) for recovering a prepayment of advertisement of approximately RMB9,611,000 (approximately HK\$12,004,000) (the “Prepayment”), which the amount was settled by a third party namely 上海龍韻廣告傳播股份有限公司 (“Shanghai Longyun”) on behalf of Guangdong Sinofocus.

After seeking legal advice, the Group considered the amount of claim to be able to recover from Liaoning Radio is RMB6,687,000 (approximately HK\$8,352,000) (which amount is also guaranteed by Frontier Services pursuant to the terms of sale and purchase of the interest in Sinofocus Media by the Group during the year). Accordingly, the amount of RMB6,687,000 (approximately HK\$8,352,000) was recognised as other receivable as at 31 December 2014.

As the Prepayment was settled by Shanghai Longyun, Shanghai Longyun also initiated a legal claim against Guangdong Sinofocus for the sum of RMB9,611,000 (approximately HK\$12,004,000). The amount of claim was fully provided by Sinofocus Media and included in other payables as at 31 December 2014 and no further liability was recognised by the Group accordingly.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place/country of incorporation/operation	Particulars of issued capital	Percentage of issued capital held by the Company		Proportion of voting power held by the Company		Principal activities
			2014	2013	Directly	Indirectly	
Century 21 Hong Kong Limited	Hong Kong	3,880,000 ordinary shares of HK\$1 each	—	100%	—	100%	Provision of franchise, services in Hong Kong and Macau
Century 21 Property Agency Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	—	100%	Provision of property agency and related services in Hong Kong
Century 21 Surveyors Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	—	100%	Provision of property project consulting, property agency and related services
Guangdong Kingstar Strategic Consultants Limited [#]	PRC	RMB10,000,000 of registered capital	100%	100%	—	100%	Provision of property project consulting, property agency and related services in the PRC
Guangdong Sinofocus [#]	PRC	RMB50,000,000 of registered capital	100%	—	—	100%	Advertising agency business
Kingbox	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	100%	100%	—	Investment holding
Kingswick Strategy Limited	Hong Kong	10 ordinary shares of HK\$1 each	100%	100%	—	100%	Provision of property agency and related services
Smart Arrow Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	—	100%	Provision of property agency and related services
Sinofocus Media (Holdings) Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	100%	—	Investment holding and management
Sinofocus Media Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	—	—	100%	Investment holding and advertising agency services
Spring Merit Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	—	100%	Security trading and investment
Vantage Gain Investments Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	—	100%	Security trading and investment
Wiz Investments Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	—	100%	Security trading and investment
Wiz Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	100%	—	Provision of management services to the Group

[#] *The English names of the PRC companies are translation of their respective Chinese names included for information only and are not their official names.*

The above table lists the subsidiaries of the Group as at 31 December 2014 and 2013 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

3. INDEBTEDNESS STATEMENT

At the close of business on 30 April 2015, being the most recent practicable date, the Group had outstanding secured loan of approximately HK\$6 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 April 2015 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Save for the Subscription which will enhance the net assets and liquidity position of the Group and the incoming of the Subscribers, in particular, Newwood, Pacific Wits and Tairong as the new substantial Shareholders and the intention of Newwood to develop new businesses as detailed in the section headed “Future intentions of Newwood and parties acting in concert with the Subscribers regarding the Group” in the letter from the Board and the legal claim initiated by the Group’s subsidiary, 廣東中觀傳媒有限公司 (Guangdong Sinofocus Media Limited*) against 遼寧廣播電視廣告有限公司 (Liaoning Radio & Television Advertisement Limited*) as detailed in the section headed “Material Litigation” in Appendix II to this circular, the Directors confirm that, there has been no material change in the financial or trading position or outlook 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, up to and including the Latest Practicable Date.

* For identification purposes only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Subscribers and parties acting in concert with them) 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscribers and parties acting in concert with them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscribers and parties acting in concert with them) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscribers contained in this circular has been supplied by the directors of the Subscribers.

The director of Newwood Investments Limited, namely Mr. Dong Ping, accepts full responsibility for the accuracy of the information relating to him and Newwood Investments Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Newwood Investments Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Numerous Joy Limited, namely Mr. Dong Ping, accepts full responsibility for the accuracy of the information relating to him and Numerous Joy Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Numerous Joy Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Pacific Wits Limited, namely Mr. Ning Hao, accepts full responsibility for the accuracy of the information relating to him and Pacific Wits Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Pacific Wits Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Tairong Holdings Limited, namely Mr. Xu Zheng, accepts full responsibility for the accuracy of the information relating to him and Tairong Holdings Limited contained in this circular and confirms, having made all reasonable inquiries, that to

the best of his knowledge, opinions expressed by him and Tairong Holdings Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Wise Dragon International Limited, namely Mr. Yeung Ning, accepts full responsibility for the accuracy of the information relating to him and Wise Dragon International Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Wise Dragon International Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Gold Shine Investment Company Limited, namely Mr. Tse Yiu Lam, accepts full responsibility for the accuracy of the information relating to him and Gold Shine Investment Company Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Gold Shine Investment Company Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Dayunmony Investment Corporation, namely Mr. Gao Zhikai, accepts full responsibility for the accuracy of the information relating to him and Dayunmony Investment Corporation contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Dayunmony Investment Corporation have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The director of Concept Best Limited, namely Mr. So Chak Kwong, accepts full responsibility for the accuracy of the information relating to him and Concept Best Limited contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Concept Best Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular relating to him and Concept Best Limited the omission of which would make any statement in this circular misleading.

The directors of REORIENT Global Limited, namely Mr. Cecil Te-hwai Ho and Mr. Bryan C. Zolad, jointly and severally accept full responsibility for the accuracy of the information relating to REORIENT Global Limited contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by them and REORIENT Global Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this circular relating to REORIENT Global Limited the omission of which would make any statement in this circular misleading. The directors of REORIENT Group Limited (the ultimate holding company of REORIENT Global Limited), namely Mr. Ko Chun Shun, Johnson, Mr. Brett McGonegal, Mr. Chen Shengjie, Mr. Tsoi Tong Hoo, Tony, Ms. Ko Wing Yan, Samantha, Mr. Dorian M. Barak, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP, jointly

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

2. MARKET PRICES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31 October 2014	1.16
28 November 2014	1.06
31 December 2014	1.20
30 January 2015	1.16
27 February 2015	1.11
31 March 2015	1.20
1 April 2015 (being the last trading day immediately preceding the date of the announcement of the Company dated 13 April 2015)	1.21
14 April 2015 (being the Last Trading Day)	1.92
30 April 2015	Trading suspended
29 May 2015	4.05
30 June 2015	3.65
31 July 2015 (being the Latest Practicable Date)	3.37

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.95 on 9 December 2014 and HK\$4.88 on 15 May 2015, respectively.

3. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES**(a) Share capital**

Set out below were the authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:

<u>50,000,000,000</u> Shares	<u>HK\$500,000,000</u>
------------------------------	------------------------

Issued and fully paid or credited as fully paid:

<u>577,138,852</u> Shares	<u>HK\$5,771,388.52</u>
---------------------------	-------------------------

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

Since 31 December 2014 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no new Shares had been issued by the Company.

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company had no outstanding options, warrants or conversion rights affecting the Shares.

4. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) no Shares acquired by the Subscribers in pursuance of the Subscription will be transferred, charged or pledged to any other persons;
- (b) no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Subscribers or parties acting in concert with them; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver;
- (c) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;
- (d) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver;

- (e) there was no material contract entered into by any of the Subscribers in which any Director had a material personal interest;
- (f) the directors of the Subscribers were not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (g) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription and/or the Whitewash Waiver;
- (h) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Company and the Directors;
- (i) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscribers and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscribers during the Relevant Period;
- (j) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscribers and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscribers during the Relevant Period;
- (k) save as disclosed in the section headed “Effect on shareholding structure” in the letter from the Board of this circular, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (l) Mr. Cheung Kwok Fan, an executive Director, was involved in the negotiation of the Subscription for and on behalf of the Company. Accordingly, Thought Diamond International Limited (which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director) holding approximately 24.92% of the issued share capital of the Company will abstain from voting at the SGM in respect of the resolution relating to the Subscription, the Whitewash Waiver, the allotment and issue of the Fee Shares and the Service Agreements;
- (m) none of the Directors had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (n) none of the subsidiaries of the Company and none of the pension funds of the Company or its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (o) save for the Subscription Agreement, the Shareholders Agreement and the Subscribers Agreement disclosed in the letter from the Board of this circular, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (p) no fund which was managed on a discretionary basis by any fund manager connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. DISCLOSURE OF INTERESTS

Interests of Directors and chief executives

As at the Latest Practicable Date, the following Directors or chief executive of the Company or their associates had 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO; (ii) recorded in the register to be kept under Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) adopted by the Company; or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code.

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Cheung Kwok Fan	Interest of controlled corporation	143,850,000	24.92%

Notes:

- These Shares are held by Thought Diamond International Limited, which is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Cheung Kwok Fan.

Save as disclosed above, 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken

under such provisions of the SFO) or the Model Code adopted by the Company; (ii) entered in the register required to be kept under section 352 of the SFO; or (iii) disclosed in this circular pursuant to the requirements of the Takeovers Code.

Save as disclosed below, none of the Directors or the proposed Directors is a director or employee of the companies which have an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Cheung Kwok Fan, an executive Director, is a director of Thought Diamond International Limited;
- (b) Mr. Dong Ping, a proposed Director, is the sole director of Newwood;
- (c) Mr. Ning Hao, a proposed Director, is the sole director of Pacific Wits;
- (d) Mr. Xu Zheng, a proposed Director, is the sole director of Tairong;
- (e) Mr. Gao Zhikai, a proposed Director, is the sole director of Dayunmony; and
- (f) Mr. So Chak Kwong, a proposed Director, is the sole director of Concept Best.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies:

- (a) which (including both continuous and fixed term contracts) had been entered into or amended within six months before 13 April 2015;
- (b) which were continuous contracts with a notice period of 12 months or more; or
- (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which would not expire or was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTEREST

Interests of the Directors in competing businesses to the Group as at the Latest Practicable Date required to be disclosed pursuant to Rule 8.10 of the Listing Rules were set out as below:

Name of Director	Name of entity	Nature of competing business	Nature of interest
Mr. Ng Kai Man	Century 21 Best Mortgage Limited	provision of agency services for mortgage loan financing	director and shareholder
	Century 21 Singapore Holdings Pte Limited	provision of real estate agents franchising services in Singapore	director and shareholder

Save as disclosed above, none of the Directors was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor its subsidiaries was involved in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group:

During the year ended 31 December 2014, the Group's subsidiary, 廣東中觀傳媒有限公司 (Guangdong Sinofocus Media Limited*) ("**Guangdong Sinofocus**") initiated a legal claim against 遼寧廣播電視廣告有限公司 (Liaoning Radio & Television Advertisement Limited*) ("**Liaoning Radio**") for recovering a prepayment of advertisement of approximately RMB9,611,000 (approximately HK\$12,004,000) (the "**Prepayment**"), which the amount was settled by a third party namely 上海龍韻廣告傳播股份有限公司 (Shanghai Longyun Advertising & Media Co., Ltd.*) ("**Shanghai Longyun**") on behalf of Guangdong Sinofocus.

After seeking legal advice, the Group considered the amount of claim to be able to recover from Liaoning Radio is RMB6,687,000 (approximately HK\$8,352,000) (which amount is also guaranteed by Frontier Services Group Limited (being an independent third party and investment holding company listed on the Main Board of the Stock Exchange under stock code: 500, the subsidiaries of which are principally engaged in the aviation and logistics business) pursuant to the terms of sale and purchase of the interest in Sinofocus Media (Holdings) Limited ("**Sinofocus Media**"), the intermediate holding company of Guangdong Sinofocus, by the Group during the year ended 31 December 2014).

* For identification purposes only

As the Prepayment was settled by Shanghai Longyun, Shanghai Longyun also initiated a legal claim against Guangdong Sinofocus for the sum of RMB9,611,000 (approximately HK\$12,004,000). The amount of claim was fully provided by Sinofocus Media and included in other payables as at 31 December 2014 and no further liability was recognised by the Group accordingly.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley Capital Limited had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

During the two years immediately preceding 13 April 2015 and up to the Latest Practicable Date, the following material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by the Company or any of its subsidiaries:

- (a) the Subscription Agreement;
- (b) the Amendment Agreement;
- (c) the Service Agreement 1;
- (d) the Service Agreement 2;
- (e) the sale and purchase agreement dated 5 December 2014 entered into between Century 21 (HK) Group Limited, a wholly-owned subsidiary of the Company, as vendor and Menkin Limited, which is wholly-owned by Mr. Ng Kai Man (an executive Director), as purchaser in relation to the disposal of the entire issued share capital of Century 21 Hong Kong Limited at the consideration of HK\$4,500,000;

- (f) the conditional loan agreement dated 4 December 2014 entered into between the Company as lender and Mastermind Capital Limited as borrower in relation to the grant of the loan in the principal amount of HK\$80 million to Mastermind Capital Limited for a term of two years from the date of drawdown;
- (g) the conditional sale and purchase agreement dated 7 October 2014 entered into between the Company as purchaser and Frontier Services Group Limited as vendor in relation to the acquisition of the entire issued share capital of Sinofocus Media (Holdings) Limited and the loan incurred by it at the consideration of HK\$97,000,000;
- (h) the conditional placing agreement dated 25 April 2014 entered into between the Company and Kingston Securities Limited in relation to a placing of up to 64,000,000 new Shares on a best effort basis at a price of HK\$0.81 per new Share;
- (i) the underwriting agreement dated 25 April 2014 entered into among the Company, Kingston Securities Limited and Thought Diamond International Limited in relation to the underwriting arrangement in respect of the open offer of the Company issuing not less than 160,379,617 and not more than 192,379,617 new offer Shares at a price of HK\$0.50 per new offer Share; and
- (j) the sale and purchase agreement dated 6 August 2013 entered into between Prosper Overseas Limited, a wholly-owned subsidiary of the Company, as vendor and Mr. Ng Kai Lok, Paul (the brother of Mr. Ng Kai Man, an executive Director) as purchaser relating to the disposal of the 60% of the entire issued share capital of Yanyan Force Limited and a sale loan amounted to approximately HK\$16,397,000 at a total consideration of HK\$100,000.

11. INTERESTS IN ASSETS AND CONTRACTS

Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors nor Somerley Capital Limited was interested, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) been 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong situated at Unit 3811, Shun Tak Centre, West Tower, 168–200 Connaught Road, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of SGM. Copy of the following documents will also be available for inspection on the website of the SFC at <http://www.sfc.hk> and the website of the Company at <http://www.irasia.com/listco/hk/21holdings> from the date of this circular up to and including the date of the SGM.

- (a) the Shareholders Agreement;
- (b) the Subscribers Agreement;
- (c) the memorandum of association of the Company and the Bye-laws;
- (d) the memorandum and articles of association of Newwood, Numerous Joy, Pacific Wits, Tairong, Dayunmony, Concept Best and RGL and the memorandum of association of Wise Dragon and Gold Shine;
- (e) the annual reports of the Company for the each of two financial years ended 31 December 2013 and 2014;
- (f) the letter from the Board, the text of which is set out on pages 8 to 43 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on page 44 of this circular;
- (h) the written consent from RFML that it has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name in the form and context in which it appears;
- (i) the letter from the Independent Financial Adviser, the text of which is set out on pages 45 to 97 of this circular;
- (j) the written consent from the Independent Financial Adviser that it has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear; and
- (k) the material contracts as referred to in the section headed "Material contracts" in this appendix.

13. MISCELLANEOUS

- (a) The address of each of Newwood, Numerous Joy, Pacific Wits, Tairong, Dayunmony and Concept Best is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (b) The address of each of Wise Dragon and Gold Shine is P.O. Box 146, Road Town, Tortola, British Virgin Islands.
- (c) The address of each of RGL and RFML is Suites 1102–03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.
- (d) The sole director and the ultimate sole shareholder of each of Newwood and Numerous Joy is Mr. Dong.
- (e) The sole director and the ultimate sole shareholder of Pacific Wits is Mr. Ning Hao.
- (f) The sole director and the ultimate sole shareholder of Tairong is Mr. Xu Zheng.
- (g) The sole director and the ultimate sole shareholder of Wise Dragon is Mr. Yeung Ning.
- (h) The sole director and the ultimate sole shareholder of Gold Shine is Mr. Tse Yiu Lam.
- (i) The sole director and the ultimate sole shareholder of Dayunmony is Mr. Gao Zhikai.
- (j) The sole director and the ultimate sole shareholder of Concept Best is Mr. So Chak Kwong.
- (k) The directors of RGL are Mr. Cecil Te-hwai Ho and Mr. Bryan C. Zolad. RGL is a wholly-owned subsidiary of REORIENT Group, a company listed on the Main Board of the Stock Exchange under the stock code: 376. The directors of REORIENT Group are Mr. Ko Chun Shun, Johnson, Mr. Brett McGonegal, Mr. Chen Shengjie, Mr. Tsoi Tong Hoo, Tony and Ms. Ko Wing Yan, Samantha (each of whom is an executive director of REORIENT Group), Mr. Dorian M. Barak (who is a non-executive director of REORIENT Group), and Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP (each of whom is an independent non-executive director of REORIENT Group). Mr. Ko Chun Shun, Johnson is also the ultimate controlling shareholder of REORIENT Group.
- (l) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

NOTICE OF SPECIAL GENERAL MEETING



21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

NOTICE IS HEREBY GIVEN that the special general meeting of 21 Holdings Limited (the “Company”) to be held at Meeting Room (Soho 2), 6/F., Ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 28 August 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT,**

- (a) the subscription agreement (the “Subscription Agreement”) dated 14 April 2015 entered into between (i) the Company, and (ii) Newwood Investments Limited, Numerous Joy Limited, Pacific Wits Limited, Tairong Holdings Limited, Wise Dragon International Limited, Gold Shine Investment Company Limited, Dayunmony Investment Corporation, Concept Best Limited and REORIENT Global Limited (collectively, the “Subscribers”) in relation to the subscription (the “Subscription”) of an aggregate of 1,701,416,556 new shares of the Company (the “Subscription Shares”) at the subscription price of HK\$0.4 each (a copy of the Subscription Agreement is tabled at the meeting and marked “A” by the chairman of the meeting for identification purpose), the amendment agreement (the “Amendment Agreement”) dated 13 May 2015 entered into between the Company and the Subscribers in relation to, among other things, amendments of certain conditions precedent and terms set out in the Subscription Agreement (a copy of the Amendment Agreement is tabled at the meeting and marked “B” by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Subscription Shares, the specific mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the Subscription Shares pursuant to the Subscription Agreement and the Amendment Agreement be and is hereby approved;
- (c) any director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

necessary or desirable to implement and/or effect the transactions contemplated by the Subscription Agreement and the Amendment Agreement, the allotment and issue of the Subscription Shares and the amendment, variation or modification of the terms and conditions of the Subscription Agreement and the Amendment Agreement on such terms and conditions as any director(s) of the Company may think fit.”

2. **“THAT**

- (a) the service agreement (the “Service Agreement 1”) dated 14 April 2015 entered into between the Company and Mr. Ning Hao and the service agreement (the “Service Agreement 2”) dated 14 April 2015 entered into between the Company and Mr. Xu Zheng, both in relation to the provision of certain services and rights to the Company (a copy of the Service Agreement 1 and the Service Agreement 2 is tabled at the meeting and marked “C1” and “C2” by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the proposed annual caps for each of the six financial years ending 31 December 2020 in relation to the transactions contemplated under the Service Agreement 1 and the Service Agreement 2 as set out in the circular of the Company dated 5 August 2015 (a copy of which is tabled at the meeting and marked “D” by the chairman of the meeting for identification purpose) be and are hereby approved, confirmed and ratified;
- (c) any director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Service Agreement 1 and the Service Agreement 2 and the amendment, variation or modification of the terms and conditions of the Service Agreement 1 and the Service Agreement 2 on such terms and conditions as any director(s) of the Company may think fit.”

3. **“THAT**, subject to and conditional on the passing of ordinary resolutions no. 1 and no. 2, the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to Note 1 on Dispensations for Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation of the Subscribers to make a mandatory general offer to acquire all the issued ordinary shares of the Company and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with them, as a result of the allotment and issue of the Subscription Shares be and is hereby approved.”

NOTICE OF SPECIAL GENERAL MEETING

4. **“THAT,**
- (a) the engagement letter (the “Engagement Letter”) dated 14 April 2015 entered into between the Company and REORIENT Financial Markets Limited (“RFML”) in relation to the appointment of RFML as the financial adviser of the Company for, among other things, the Subscription Agreement (a copy of the Engagement Letter is tabled at the meeting and marked “E” by the chairman of the meeting for identification purpose) and the allotment and issue of 30,000,000 new ordinary shares of the Company (the “Fee Shares”) at HK\$0.4 each credited as fully paid to settle the fees in relation to the financial advisory services provided by RFML with regard to, among other things, the Subscription and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
 - (b) conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Fee Shares, the specific mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the Fee Shares pursuant to the Engagement Letter be and is hereby approved;
 - (c) any director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Engagement Letter, the allotment and issue of the Fee Shares and the amendment, variation or modification of the terms and conditions of the Engagement Letter on such terms and conditions as any director(s) of the Company may think fit.”

SPECIAL RESOLUTION

5. **“THAT,** subject to and conditional upon (i) the passing of all of the ordinary resolutions of the Company set out in this notice of the special general meeting of which this resolution forms part; (ii) the completion of the Subscription; and (iii) the approval of the Registrar of Companies in Bermuda being obtained in respect of the proposed change of name of the Company as set out in paragraph (a) below:
- (a) the English name of the Company be and is hereby changed from “21 Holdings Limited” to “Huanxi Media Group Limited”, and the Chinese name of “歡喜傳媒集團有限公司” be adopted for identification purposes only, and that such documents in connection with the change of name of the Company be filed and registered with the Registrar of Companies in Hong Kong under the applicable laws; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) any director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the change of name of the Company.”

By order of the Board
21 Holdings Limited
Lei Hong Wai
Chairman

Hong Kong, 5 August 2015

Notes:

1. A member entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote on his behalf. The proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.