
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, the Whitewash Waiver or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **Jin Cai Holdings Company Limited**, you should at once hand this document and the accompanying form to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

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



Jin Cai Holdings Company Limited

金彩控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

- (1) ISSUE OF NEW ORDINARY SHARES AND PREFERENCE SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) INCREASE IN AUTHORISED SHARE CAPITAL;
(4) AMENDMENT OF ARTICLES OF ASSOCIATION; AND
(5) NOTICE OF EGM**

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee



A letter from the Board is set out on pages 7 to 44 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 45 to 46 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 47 to 84 of this circular.

A notice convening the EGM to be held at Edinburgh and Gloucester Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 4 May 2015 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

10 April 2015

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DEFINITIONS

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

“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 2 February 2015 made by the Company in relation to, among other things, the Subscription Agreement and the Whitewash Waiver
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bestech”	北京倍思泰科新能源科技開發有限公司 (Beijing Bestech New Energy Technology Development Co., Ltd.*), a company incorporated in the PRC and a subscriber procured by the Fourth Subscriber as detailed in the letter from the Board in this circular
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday or Sunday or public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“Company”	Jin Cai Holdings Company Limited (stock code: 1250), a company incorporated in the Cayman Islands with limited liability and the Ordinary Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Completion Date”	the date on which Completion occurs
“Concert Group”	the First Subscriber, the Second Subscriber, the Third Subscriber and their respective concert parties (including Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules

* For identification purpose only

DEFINITIONS

“Conversion Share(s)”	Ordinary Share(s) to be allotted and issued upon conversion of the Preference Share(s)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Edinburgh and Gloucester Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 4 May 2015 at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve, among others, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Announcement”	the holding announcement of the Company dated 11 December 2014 in relation to, among other things, the Subscription Agreement and the Whitewash Waiver
“First Subscriber”	Fast Top Investment Limited
“First Supplemental Agreement”	the first supplemental agreement entered into between the Company and the Subscribers dated 29 December 2014 in respect of the Subscription
“Fourth Subscriber”	More Surplus Investments Limited
“Greatest Winner”	Greatest Winner Limited (宏源有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“GW”	gigawatt
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Zeng Shiquan, Mr. Tam Tak Kei Raymond and Professor Lam Sing Kwong Simon, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver and as to voting. Mr. Huang Chao, a non-executive Director, was not involved in the negotiation of or interested in the Subscription. However, as Mr. Huang Chao is the son of Ms. Huang Li, a controlling shareholder of the Company and who will abstain from voting (through Ocean Ahead) on the relevant resolutions to be proposed at the EGM, he has been excluded from the Independent Board Committee
“Independent Financial Adviser”	Somerley Capital Limited, the independent financial adviser to advise the Independent Board Committee as to whether (1) the terms and conditions of the Subscription and are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole and (2) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make recommendation to the Independent Shareholders as to their voting on the proposed resolutions approving the Subscription and the Whitewash Waiver at the EGM. Somerley Capital Limited is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than the Subscribers and parties acting in concert with any of them, their respective associates and any other Shareholders who are interested or involved in the Subscription and/or the Whitewash Waiver (including Ocean Ahead)
“Last Trading Day”	26 November 2014, being the last trading day of the Ordinary Shares immediately prior to the publication date of the Announcement
“Latest Practicable Date”	8 April 2015, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing)
“MW”	megawatt
“New Ordinary Shares”	a total of 1,413,645,291 new ordinary shares of HK\$0.01 each, or in the event of the Share Subdivision having taken place before Completion, a total of 14,136,452,910 new ordinary shares of HK\$0.001 each, to be allotted and issued by the Company
“Ocean Ahead”	Ocean Ahead International Limited (領海國際有限公司), a company incorporated in the British Virgin Islands with limited liability on 12 January 2011 and is a controlling shareholder of the Company. Its entire issued share capital is owned by Ms. Huang Li, an executive Director
“Ordinary Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company; or ordinary share(s) of HK\$0.001 each in the share capital of the Company upon completion of the Share Subdivision
“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)
“Preference Shares”	3,336,288,490 convertible preference shares of HK\$0.01 each in the capital of the Company, or in the event of the Share Subdivision having taken place before Completion, 33,362,884,900 convertible preference shares of HK\$0.001 each in the capital of the Company, in each case, with the principal terms set out in the section headed “Principal terms of the Preference Shares” in the letter from the Board in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Second Subscriber”	CPE China Fund II, L.P. and CPE China Fund IIA, L.P.

DEFINITIONS

“Second Supplemental Agreement”	the second supplemental agreement entered into between the Company and the Subscribers dated 31 January 2015 in respect of the Subscription
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Capital Resolution”	the proposed increase in authorised share capital of the Company from HK\$20,000,000 to HK\$500,000,000 by (i) the creation of additional Ordinary Shares and (ii) the creation of the Preference Shares, such that following the approval of the Share Capital Resolution, the authorized share capital of the Company will be HK\$500,000,000 divided into 466,637,115,100 ordinary shares of HK\$0.001 each and 33,362,884,900 Preference Shares of HK\$0.001 each
“Share Subdivision”	the subdivision of each of the Company’s ordinary shares of HK\$0.01 each into 10 ordinary shares of HK\$0.001 each, details of which are set out in the circular of the Company dated 13 February 2015. The Share Subdivision became effective on 5 March 2015
“Shareholder(s)”	holder(s) of the Ordinary Share(s)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the agreement entered into between the Company and the Subscribers dated 9 December 2014 in respect of the Subscription, as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement
“Subscription Price”	HK\$0.79 per Subscription Share, or in the event of the Share Subdivision having taken place before Completion, HK\$0.079 per Subscription Share
“Subscription Share(s)”	the New Ordinary Shares and the Preference Shares
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Third Subscriber”	CITIC Private Equity Fund III (RMB)* 北京中信投資中心 (有限合夥)
“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 First Subscriber, the Second Subscriber and the Third Subscriber to make a mandatory general offer for all of the Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Concert Group which would arise as a result of the subscription of the New Ordinary Shares
“%”	percentage

* For identification purposes only

LETTER FROM THE BOARD



Jin Cai Holdings Company Limited

金彩控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

Executive Directors:

Ms. Huang Li
Mr. Zheng Hua

Non-executive Director:

Mr. Huang Chao

Independent non-executive Directors:

Mr. Zeng Shiquan
Mr. Tam Tak Kei Raymond
Professor Lam Sing Kwong Simon

Registered office:

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

*Headquarter and principal place of
business in the PRC:*

No.21 Jianlong Street, Bao'an Community
Henggang Sub-district, Longgang District
Shenzhen City, Guangdong Province
PRC

Principal place of business in Hong Kong:

Suite 2312, Tower One, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

10 April 2015

To the Shareholders

Dear Sir or Madam,

- (1) ISSUE OF NEW ORDINARY SHARES AND PREFERENCE SHARES;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) INCREASE IN AUTHORISED SHARE CAPITAL;
(4) AMENDMENT OF ARTICLES OF ASSOCIATION; AND
(5) NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement. The Company and the Subscribers entered into the principal Subscription Agreement on 9 December 2014, the First Supplemental Agreement on 29 December 2014 and the Second Supplemental Agreement on 31 January 2015. Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe for or procure

LETTER FROM THE BOARD

subscribers for, and the Company has conditionally agreed to allot and issue, (i) the New Ordinary Shares representing approximately 441.76% of the issued Ordinary Shares as at the Latest Practicable Date or approximately 81.54% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares; and (ii) the Preference Shares, at an issue price of HK\$0.79 each, or in the event of the Share Subdivision having taken place before Completion, at an issue price of HK\$0.079 each. As set out in the announcement of the Company dated 4 March 2015, the resolution in respect of the Share Subdivision was duly passed as an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 4 March 2015. Accordingly, the Share Subdivision became effective on 5 March 2015 and the New Ordinary Shares and the Preference Shares will be issued at an issue price of HK\$0.079 each.

THE SUBSCRIPTION

Subscription Agreement

Dates	:	the principal agreement of 9 December 2014 (as supplemented by the First Supplemental Agreement on 29 December 2014 and the Second Supplemental Agreement on 31 January 2015)
Issuer	:	the Company
Subscribers	:	(i) the First Subscriber (ii) the Second Subscriber (iii) the Third Subscriber (iv) the Fourth Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscribers are not connected persons of the Company. The information on the Subscribers is set out in the section headed "Information on the Subscribers" below.

Subject matter

The Subscribers have conditionally agreed to subscribe for or procure subscribers for, and the Company has conditionally agreed to allot and issue (i) the New Ordinary Shares and an aggregate of 113,348,440 Preference Shares at Completion (the "**Completion Tranche Preference Shares**"); (ii) an aggregate of 9,499,867,560 Preference Shares on the 183rd day after the Completion Date (the "**Tranche A Preference Shares**"); (iii) an aggregate of 9,499,867,560 Preference Shares on the first anniversary of the Completion Date (the "**Tranche B Preference Shares**"); (iv) an aggregate of 9,499,867,560 Preference Shares on the 183rd day after the first anniversary of the Completion Date (the "**Tranche C Preference Shares**"); and (v) an aggregate of 4,749,933,780 Preference Shares on the second anniversary of the Completion Date (the "**Tranche D Preference Shares**"), at HK\$0.079 each. The consideration for the Preference Shares will be payable on the date of issue of the relevant Preference Shares.

LETTER FROM THE BOARD

The following table sets out the number of the New Ordinary Shares and the Preference Shares to be subscribed for by each of the Subscribers or parties procured by the Subscribers:

	Ordinary Shares		Completion Tranche Preference Shares		Tranche A Preference Shares		Tranche B Preference Shares		Tranche C Preference Shares		Tranche D Preference Shares	
	No. of Shares issued at Completion	Consideration HK\$ million	No. of Shares issued at Completion	Consideration HK\$ million	No. of Preference Shares issued on the 183rd day after the Completion Date (Note 1)	Consideration HK\$ million	No. of Preference Shares issued on the first anniversary of the Completion Date (Note 1)	Consideration HK\$ million	No. of Preference Shares issued on the 183rd day after the first anniversary of the Completion Date (Note 1)	Consideration HK\$ million	No. of Preference Shares issued on the second anniversary of the Completion Date (Note 1)	Consideration HK\$ million
The First Subscriber (Note 2)	5,274,166,550	416.66	42,289,150	3.34	3,544,303,800	280.00	3,544,303,800	280.00	3,544,303,800	280.00	1,772,151,900	140.00
The Second Subscriber (Note 3)	2,260,357,100	178.57	18,123,920	1.43	1,518,987,340	120.00	1,518,987,340	120.00	1,518,987,340	120.00	759,493,670	60.00
The Third Subscriber (Note 4)	2,260,357,090	178.57	18,123,920	1.43	1,518,987,340	120.00	1,518,987,340	120.00	1,518,987,340	120.00	759,493,670	60.00
The Fourth Subscriber (Note 5)	4,341,572,170	342.98	34,811,450	2.75	2,917,589,080	230.49	2,917,589,080	230.49	2,917,589,080	230.49	1,458,794,540	115.24
Total	14,136,452,910	1,116.78	113,348,440	8.95	9,499,867,560	750.49	9,499,867,560	750.49	9,499,867,560	750.49	4,749,933,780	375.24

Notes:

- (1) The obligation of the Subscribers to take up the Preference Shares after the Completion Date is conditional on the listing of the Ordinary Shares not having been cancelled or withdrawn, the Ordinary Shares continuing to be traded on the Main Board of the Stock Exchange at all times from the Completion Date to the payment dates for the relevant Preference Shares (save for any temporary suspension for not more than 20 trading days or such other period as such Subscriber may agree), and the Stock Exchange's approval with respect to the listing and dealing in the Conversion Shares not having been revoked or cancelled or amended.
- (2) Pursuant to the Subscription Agreement, the First Subscriber may procure a wholly-owned subsidiary of Beijing Enterprises Water Group Limited to subscribe for the relevant Ordinary Shares and Preference Shares, and may transfer the Preference Shares.
- (3) Pursuant to the Subscription Agreement, the Second Subscriber may procure a company jointly and wholly-owned by the Second Subscriber to subscribe for the relevant Ordinary Shares and Preference Shares, and may transfer the Preference Shares.
- (4) Pursuant to the Subscription Agreement, the Third Subscriber may procure its subsidiary or an asset management scheme funded and entrusted by the Third Subscriber to subscribe for the relevant Ordinary Shares and Preference Shares, and may transfer the Preference Shares. The Third Subscriber intends that the asset management scheme, if established and so procured to subscribe for the relevant Ordinary Shares and Preference Shares, should be a Qualified Domestic Institutional Investor authorised by the relevant PRC authorities for foreign investment purpose.
- (5) Pursuant to the Subscription Agreement, the Fourth Subscriber may procure subscribers to subscribe for the relevant Ordinary Shares and Preference Shares and may transfer the Preference Shares.

LETTER FROM THE BOARD

The New Ordinary Shares to be issued at Completion represent (i) approximately 441.76% of the Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 81.54% of the Ordinary Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares. The aggregate nominal value of the New Ordinary Shares is HK\$14,136,452.91.

Upon conversion of the Preference Shares in full, the Conversion Shares to be allotted and issued will represent (i) approximately 1,042.59% of the Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 65.81% of the Ordinary Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares (assuming that no adjustment to the conversion price is required in accordance with the terms of the Preference Shares and that there is no other change in the number of Ordinary Shares in issue). The aggregate nominal value of the Conversion Shares is HK\$33,362,884.90.

Subscription Price

The Subscription Price of HK\$0.079 per Subscription Share (on the basis that the Share Subdivision has taken place):-

- (i) represents a discount of approximately 79.74% to the closing price of HK\$0.390 per Ordinary Share as quoted on the Main Board of the Stock Exchange on the Latest Practicable Date;
- (ii) represents a discount of approximately 43.57% to the last trading price (before suspension) of HK\$0.14 per Ordinary Share (as adjusted by the Share Subdivision) as quoted on the Main Board of the Stock Exchange on 26 November 2014, being the Last Trading Day;
- (iii) represents a discount of approximately 41.91% to the average closing price of approximately HK\$0.136 per Ordinary Share (as adjusted by the Share Subdivision) for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) represents a discount of approximately 38.76% to the average closing price of approximately HK\$0.129 per Ordinary Share (as adjusted by the Share Subdivision) for the last ten consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (v) represents a premium of approximately 3.95% over the unaudited net asset value per Ordinary Share of approximately RMB0.061 per Ordinary Share (equivalent to approximately HK\$0.076 per Ordinary Share based on the exchange rate of RMB1.00 to HK\$1.25) as at 30 June 2014 based on the Company's interim report for the six months ended 30 June 2014 and the number of Ordinary Shares in issue as at the Latest Practicable Date; and
- (vi) is equal to the audited net asset value per Ordinary Share of approximately RMB0.063 per Ordinary Share (equivalent to approximately HK\$0.079 per Ordinary Share based on the exchange rate of RMB1.00 to HK\$1.25) as at 31 December 2014 based on the Company's annual results announcement for the year ended 31 December 2014 and the number of Ordinary Shares in issue as at the Latest Practicable Date.

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 Ordinary Shares, the trading volume of the Ordinary Shares and the unaudited net asset value per Ordinary Share as at 30 June 2014.

Although the Subscription Price represents a substantial discount to the prevailing market price of the Ordinary Shares preceding the date of the Subscription Agreement, 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 benefits of the Subscription as detailed in the paragraph headed "Reasons for and benefits of the Subscription and use of proceeds" in this letter from the Board;
- (ii) the Company and Bestech have entered into a cooperation agreement, pursuant to which the parties will cooperate in the development of photovoltaic power business and Bestech will procure the members of the Technical Team to join the Group upon completion of the Subscription;
- (iii) each member of the Technical Team has irrevocably undertaken to the Company that he/she will enter into employment contract with the Company upon completion of the Subscription;
- (iv) the Subscribers have proposed Mr. Xu Honghua to be appointed as an independent non-executive Director of the Company, who has solid background in the power energy industry including but not limited to photovoltaic power generation. Also, the Company intends to appoint one or two executive Directors who have relevant experiences in the solar industry;

LETTER FROM THE BOARD

- (v) the Company has entered into several agreements and MOUs in respect of the photovoltaic power business, details of which are set out in the paragraph headed “Reasons for and benefits of the Subscription and use of proceeds – Projects of the Company” in this letter from the Board; and
- (vi) the Subscription Price represents a premium over the unaudited net asset value per Ordinary Share as at 30 June 2014 and is equal to the audited net asset value per Ordinary Share as at 31 December 2014.

Principal terms of the Preference Shares

A summary of the principal terms of the Preference Shares is set out below:

- | | |
|--------------------|--|
| Dividends: | The Preference Shares shall confer on the holders thereof the right to receive dividend at the same rate as the Ordinary Shares. |
| Return on capital: | Each Preference Share shall have priority in receiving a return of capital up to the Subscription Price on liquidation, winding up or dissolution of the Company and shall then participate in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue. |
| Transferability: | Any Preference Shares shall be freely transferable. |
| Voting: | The holder(s) of the Preference Shares will not be entitled to attend or vote at any general meeting of the Company. |
| Conversion: | <ul style="list-style-type: none">(a) Subject to the minimum public float requirement under Rule 8.08 of the Listing Rules, the Preference Shares shall be convertible into Ordinary Shares by the holder of the Preference Shares serving the conversion notice to the Company on any Business Day within the conversion period, without the payment of any additional consideration therefor, into such number of fully-paid Conversion Shares.(b) The Company’s obligation to effect conversion of fully paid Preference Shares into Conversion Shares shall be subject to the minimum public float requirement under the Listing Rules being met. |

LETTER FROM THE BOARD

- (c) Conversion of the Preference Shares shall be effected in such manner as the Directors shall, subject to the Articles of Association and to any other applicable law and regulations, from time to time determine without further approval of the Shareholders.

Conversion period: On any Business Day after the issue date (including the issue date).

Conversion price: HK\$0.079 per Ordinary Share, subject to adjustments as detailed in the paragraph headed “Conversion adjustments” below.

Redemption: The Preference Shares are non-redeemable.

Conversion adjustments

The conversion price shall be subject to the following adjustments:

- (a) if and whenever the Ordinary Shares by reason of any consolidation or sub-division or reclassification become of a different nominal amount, the conversion price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division or reclassification becomes effective;
- (b) if and whenever the Company shall:
- (i) issue (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account); or
 - (ii) issue Ordinary Shares paid out of distributable profits or reserves and/or share premium accounts issued in lieu of the whole or any part of a cash dividend, being a dividend which the holders of the Ordinary Shares concerned would or could otherwise have received but only to the extent that the market value of such Ordinary Shares exceeds 110% of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash and which would not have constituted a capital distribution) (for which purpose the “market value” of an Ordinary Share shall mean the average of the closing prices published in the Stock Exchange’s Daily Quotation Sheet for one Ordinary Share for 5 trading days ending on the last trading day immediately preceding the last

LETTER FROM THE BOARD

day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash); then the conversion price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day next following the record date for such issue;

- (c) if and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the conversion price in force immediately prior to such distribution or grant shall be adjusted by multiplying by the following fraction:

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

where:

- A = the closing price published in the Stock Exchange in respect of one Ordinary Share on the trading day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or failing any such announcement, the date of the capital distribution or the grant, as the case may be, as determined in good faith by the independent financial adviser appointed by the Company, of the portion of the capital distribution or of such rights which is/are attributable to one Ordinary Share,

LETTER FROM THE BOARD

“**capital distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend or distribution charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution, provided that any such dividend shall not automatically be so deemed if:

- (i) it is paid out of the net profits (less losses) attributable to the holders of Ordinary Shares for all financial periods after that ended 31 December 2013 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the independent financial adviser appointed by the Company appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially;

Provided that:

- (i) if, in the opinion of the relevant independent financial adviser appointed by the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the closing price published in the Stock Exchange’s Daily Quotation Sheet of one Ordinary Share which should properly be attributed to the value of the capital distribution or rights; and
 - (ii) the conversion adjustment under paragraph (c) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day following the record date for the capital distribution or grant;
- (d) if and whenever the Company shall offer to all holders of Ordinary Shares new Ordinary Shares for subscription by way of rights, or shall grant to all holders of Ordinary Shares any options or warrants to subscribe for new Ordinary Shares, at a price per new Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Ordinary Shares or other persons), the

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conversion price shall be adjusted by multiplying the conversion price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

- G = the number of Ordinary Shares in issue immediately before the date of such announcement;
- H = the number of Ordinary Shares which the aggregate of the two following amounts would purchase at such market price:
- (i) the total amount (if any) payable to the rights, options or warrants being offered or granted; and
 - (ii) the total amount payable for all of the new Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted; and
- I = the aggregate number of Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

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- (e) (i) if and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares, and the total Effective Consideration per new Ordinary Share initially receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

where:

- J = the number of Ordinary Shares in issue immediately before the date of the issue of such securities;
- K = the number of Ordinary Shares which the total Effective Consideration receivable for such securities would purchase at such market price; and
- L = the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the date of issue of such securities.

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- (ii) if and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned the conversion adjustment under paragraph (e)(i) are modified so that the total Effective Consideration per new Ordinary Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such modification by the following fraction:

$$\frac{M + N}{M + O}$$

where:

- M = the number of Ordinary Shares in issue immediately before the date of such modification;
- N = the number of Ordinary Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market prices; and
- O = the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

- (iii) for the purposes of the conversion adjustment under paragraph (e):
- (aa) the “total Effective Consideration” receivable for the securities issued shall be deemed to be the aggregate consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and

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- (bb) the “total Effective Consideration per new Ordinary Share” initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Ordinary Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.
- (f) if and whenever the Company shall issue wholly for cash any Ordinary Shares at a price per Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

- P = the number of Ordinary Shares in issue immediately before the date of such announcement;
- Q = the number of Ordinary Shares which the aggregate amount payable for such issue would purchase at such market price; and
- R = the number of Ordinary Shares allotted pursuant to such issue. Such adjustment shall become effective on the date of the issue.

Such adjustment shall become effective (if appropriate retroactively) from the date of issue of such securities.

The Directors consider that the above adjustment provisions are not unusual in similar transactions and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company will make further announcement upon the adjustment of the conversion price of the Preference Shares.

The issue of a combination of Ordinary Shares and Preference Shares under the Subscription has been agreed by the parties after arm's length negotiation taking into account the substantial amount of investment made by the Subscribers to develop a new business of the Company. Notwithstanding the holders of the Preference Shares are entitled to receive dividend at the same rate as the holders of the Ordinary Shares, having considered the benefits of the Subscription and that the Company is not required to pay the holders of the Preference Shares a guaranteed dividend, the Directors are of the view that the issue of the Preference Shares is in the interests of

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the Company and the Shareholders as a whole. As the Preference Shares are non-redeemable and the Company has no obligation to deliver cash or another financial asset to the holders of the Preference Shares, the Preference Shares will be treated as equity securities in the financial statements of the Company.

Conditions of the Subscription

The Subscription is conditional upon satisfaction (or waiver by the First Subscriber, the Second Subscriber and the Third Subscriber in respect of the conditions in paragraphs (6), (7), (8), (9), (11), (12) and (13) below) of the following conditions:

- (1) the listing of the Ordinary Shares not having been cancelled or withdrawn, the Ordinary Shares continuing to be traded on the Main Board of the Stock Exchange at all times from 9 December 2014 to the Completion Date (save for any temporary suspension pending the publication of the Announcement (or such other period as the First Subscriber, the Second Subscriber and the Third Subscriber may agree) and neither the Stock Exchange nor the SFC having indicated that either one of them will restrict, object to, cancel or withdraw such listing and/or dealings in the Ordinary Shares (including the New Ordinary Shares) for reasons related to or arising from the transactions contemplated under the Subscription Agreement;
- (2) the passing of resolutions (special resolution or ordinary resolution, as the case may be) by the Shareholders (other than those who are required by the Listing Rules and/or the Takeovers Code to abstain from voting) at the EGM approving, among other things:
 - (i) the execution, consummation and completion of the Subscription Agreement;
 - (ii) the Share Capital Resolution;
 - (iii) the Specific Mandate;
 - (iv) the Whitewash Waiver; and
 - (v) amendment to Articles of Association in respect of, among others, the creation, allotment and issue of the Preference Shares;
- (3) the Executive having granted to the First Subscriber, the Second Subscriber, the Third Subscriber and parties acting in concert with them the Whitewash Waiver (and such grant not having been revoked or withdrawn) and any necessary conditions prior to Completion, if any, attached to it having been fulfilled;
- (4) the listing committee of the Stock Exchange having granted listing of and permission to deal in the New Ordinary Shares and the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;

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- (5) each member of the Group having obtained all consent from the relevant governmental or regulatory authorities which are necessary to be obtained for the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement;
- (6) the warranties given by the Company under the Subscription Agreement remaining true, accurate and not misleading in all material respects at Completion by reference to the facts and circumstances subsisting as at the Completion Date;
- (7) the Company having complied fully with all the obligations under the Subscription Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement on or before Completion;
- (8) since 31 December 2013, there being no material adverse change in respect of the Company's ability to perform its obligations under the Subscription Agreement or the business, assets and liabilities, condition or results of operations of the Group as a whole;
- (9) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement and, which makes the consummation of which illegal;
- (10) no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the Subscription Agreement or the consummation of the transactions contemplated under the Subscription Agreement having been enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere;
- (11) a legal opinion dated no earlier than three Business Days before the Completion Date to be issued by the Company's Cayman Islands counsel and addressed to the Company and the Subscribers as to Cayman Islands law on (i) the due incorporation and good standing of the Company; (ii) the capacity of the Company entering into the Subscription Agreement; (iii) the performance by the Company of its obligations under the Subscription Agreement will not violate the memorandum of association of the Company or the Articles of Association nor any applicable law in Cayman Islands (including but not limited to the validity and effectiveness of the nomination by the Subscribers of any directors of the Company at Completion); and (iv) matters relating to the allotment and issue of the Preference Shares and the conversion thereof and other matters customary for transactions of this nature;

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- (12) the First Subscriber, the Second Subscriber and the Third Subscriber being satisfied with the results of the due diligence investigation on the Group; and
- (13) the Shareholders having approved the change of name of the Company to a name suggested by the First Subscriber, the Second Subscriber and the Third Subscriber.

The First Subscriber, the Second Subscriber and the Third Subscriber may in their absolute discretion waive the conditions in paragraphs (6), (7), (8), (9), (11), (12) and (13) at any time by notice in writing to the Company. The waiver is to provide flexibility in situations where only a small part of a particular condition may not have been fulfilled or the benefit which the First Subscriber, the Second Subscriber and the Third Subscriber may derive from the Subscription greatly outweighs the loss which they may suffer, as a result of the waiver of a particular condition. Such rights to waive fulfillment of the conditions are common in agreements of similar natures. As at the Latest Practicable Date, the First Subscriber, the Second Subscriber and the Third Subscriber do not intend to invoke the waiver which has been included in the Subscription Agreement and none of the conditions above has been fulfilled. In the event that any of the above conditions are not fulfilled or waived (as applicable) prior to the Long Stop Date, neither 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. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

Completion

Subject to fulfillment or waiver (as applicable) of the conditions precedent of the Subscription Agreement, Completion shall take place on the eighth Business Day from and excluding the day on which the last of the conditions in paragraphs (2), (3), (4), (5), (11), (12) and (13) has been fulfilled or such other date as the parties to the Subscription Agreement may agree.

In the event that the New Ordinary Shares and the Completion Tranche Preference Shares are not subscribed in full on the Completion Date, the Company is not obliged to issue any of the New Ordinary Shares and the Preference Shares and in the event that the New Ordinary Shares and the Completion Tranche Preference Shares are not issued in full on the Completion Date, the Subscribers are not obliged to subscribe for any of the New Ordinary Shares and the Preference Shares.

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Board seats

Subject to Completion, (i) the First Subscriber, the Second Subscriber and the Third Subscriber shall be entitled to nominate three persons to be executive Directors and one person to be independent non-executive Director; (ii) the Fourth Subscriber shall be entitled to nominate one person to be executive Director; and (iii) the Company shall procure the appointment of such persons as Directors with effect from the Completion Date. The nomination rights as provided for under the Subscription Agreement are of one-off nature and the appointment of the Directors to be nominated by the Subscribers shall be carried out by the Board in accordance with the normal procedures of the Company as stipulated under the Articles of Association.

The Subscribers have proposed Mr. Xu Honghua (許洪華) to be appointed as an independent non-executive Director, whose biographical details are set out below:

Mr. Xu Honghua was born in 1967. In 1988, Mr. Xu graduated from Tianjin University with a master degree of engineering in Power System and Automation. Appointed as a research fellow in 1999, he was the former principal researcher and is the deputy director of the Institute of Electrical Engineering (電工研究所), Chinese Academy of Sciences (CAS). Currently, Mr. Xu is also the director of the Renewable Energy Department (可再生能源部) of the Institute of Electrical Engineering the person in charge of CAS Research and Demonstration Center for the Technology of Solar Power Generation (中國科學院太陽能發電研究示範中心), and president of Beijing Corona Science & Technology Co., Ltd* (保定科諾偉業控制設備有限公司). In addition, Mr. Xu held the following posts: member of the Advisory Committee of Energy Experts for National Energy Administration (國家能源專家諮詢委員會), vice president of Chinese Renewable Energy Society (中國可再生能源學會), leader of the expert team for the 863 key project “MW-level Grid-connected PV System” under the 11th Five-year Plan, and vice president of the National Technical Committee for Standardization of Wind Machinery (全國風力機械標準化技術委員會). In 2007, Mr. Xu was selected as a national candidate for the New-Century Bai-Qian-Wan Talent Project (新世紀百千萬人才工程國家級人選). Mr. Xu also received multiple awards: the Best New Talent Award (最佳新人獎) by World Wide Fund for Nature Beijing office in 2009, the Special Contribution Award by Photovoltaic Professional Committee of China Renewable Energy Society and the honorary title of “National Advanced Individual for Science Popularization”(全國科普工作先進工作者) in 2010, the First Class Prize for Scientific and Technological Progress of Hebei Province issued by The People’s Government of Hebei Province in 2012, the Third Class Prize for National Energy Technology Progress in 2013 and the Scientific Figure Award of the Third Capital Technology Celebration (第三屆首都科技盛典人物獎) in 2014.

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Since 1988, Mr. Xu has been involved in the research and/or projects of wind power, photovoltaic and hybrid power generation systems, including grid-connected and off-grid solar photovoltaic plants and the technologies on wind/photovoltaic-integrated power plant systems, electrical control over wind turbines and remote monitoring, control over photovoltaic power generation systems and tracking. Mr. Xu has also engaged in the research and/or projects of the economic and policies on renewable energy technology. He has been in charge of and completed a number of national technology projects, with numerous reports and publication on renewable energy.

Mr. Xu has confirmed his independence for the purpose of Rule 3.13 of the Listing Rules to the Company. Given such confirmation, the Board is satisfied with Mr. Xu's independence despite the fact that he was nominated by the Subscribers, who have taken into account Mr. Xu's experience in the power energy industry in contemplating his appointment. The Board noted that Mr. Xu had solid background in power energy industry including but not limited to photovoltaic power generation, and believes that the addition of Mr. Xu to the Board could diversify the background of the Board and enhance its overall experience and expertise in the photovoltaic power industry.

As at the Latest Practicable Date, the Subscribers have not confirmed the candidates to be nominated/appointed as executive Directors. The Company intends to appoint one or two executive Directors with relevant experience in the photovoltaic power industry. It is anticipated that the Directors nominated by the Subscribers will be appointed at or shortly after Completion. The Company will make further announcements in respect of the appointment of the Directors to be nominated by the Subscribers in compliance with Rule 13.51(2) of the Listing Rules.

Lock-up undertakings

Each of the Subscribers agrees to undertake or procure the subscribers procured by it to undertake to the Company that for the period from the Completion Date to the first anniversary of the Completion Date that without the written consent of the Company, it shall not, and shall procure that its associates or companies controlled by it shall not, offer to sell, transfer, agree to sell or otherwise dispose of (including without limitation the creation of any option, right or warrant or other way to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any charge, guarantee, pledge or encumbrance) the Ordinary Shares acquired by it under the Subscription Agreement and the Ordinary Shares converted from the Preference Shares acquired by it under the Subscription Agreement, enter into any swap, derivative, loan, pledge or other arrangement such that the economic consequences of ownership of any such securities is directly or indirectly transferred, whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, or publicly announce any intention to enter into any such transaction. The above restriction does not apply to any transfer to associates or funds held by a common general partner or managed by a common manager. Each of the Subscribers agrees to procure the relevant transferee(s) of the Preference Shares, after the Preference Shares being converted into Ordinary Shares, to be subject to the above restriction.

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Ocean Ahead, a controlling Shareholder, agrees to undertake to the Company that for the period from the Completion Date to the first anniversary of the Completion Date that without the written consent of the Company, it shall not, and shall procure that its associates or companies controlled by it shall not, offer to sell, transfer, agree to sell or otherwise dispose of (including without limitation the creation of any option, right or warrant or other way to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any charge, guarantee, pledge or encumbrance) 80,000,000 Ordinary Shares of HK\$0.01 each (or in the event of the Share Subdivision having taken place before Completion 800,000,000 Ordinary Shares of HK\$0.001 each), enter into any swap, derivative, loan, pledge or other arrangement such that the economic consequences of ownership of any such securities is directly or indirectly transferred, whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, or publicly announce any intention to enter into any such transaction.

Other undertakings

Each of Ms. Huang Li, a Director and Ocean Ahead, a controlling Shareholder and the entire issued share capital of which is owned by Ms. Huang Li, (i) warrants that Ocean Ahead is the legal and beneficial owner of 240,000,000 Ordinary Shares of HK\$0.01 each (or in the event of the Share Subdivision having taken place before Completion, 2,400,000,000 Ordinary Shares of HK\$0.001 each), representing 75% of the issued share capital of the Company as at 9 December 2014; (ii) undertakes that from 9 December 2014 until the Completion Date or the Subscription Agreement terminates, whichever is the earlier, Ocean Ahead will not and Ms. Huang Li will procure Ocean Ahead not to offer to sell, transfer, pledge, create any encumbrance, option or other form of disposal on all or any 240,000,000 Ordinary Shares of HK\$0.01 each (or in the event of the Share Subdivision having taken place before Completion, 2,400,000,000 Ordinary Shares of HK\$0.001 each) or the interests therein and Ms. Huang Li will not transfer all or any shares of Ocean Ahead or the interests therein; and (iii) unless the Stock Exchange or the SFC decides to the contrary, each of Ms. Huang Li and Ocean Ahead undertakes to exercise its voting rights at the EGM to vote in favour of the relevant resolution in relation to the Subscription Agreement and the transactions contemplated thereunder. Neither Ms. Huang Li nor Ocean Ahead was a party to the Subscription Agreement. The abovementioned undertakings were given by Ms. Huang Li and Ocean Ahead to the Subscribers under a separate undertaking.

However, irrespective of the abovementioned undertakings, as Ms. Huang Li was involved in the negotiation of the Subscription, Ocean Ahead, the entire issued share capital of which is owned by Ms. Huang Li, will abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Subscription (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association.

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Assignment of rights and liabilities under the Subscription Agreement

Unless prior written consent has been obtained from the Subscribers, the Company shall not at any time assign its rights and liabilities under the Subscription Agreement to any third party. Unless prior written consent has been obtained from the Company and other Subscribers, each of the Subscribers shall not prior to Completion assign its rights and liabilities under the Subscription Agreement to any third party. Upon Completion, each of the First Subscriber, the Second Subscriber and the Third Subscriber has the right to assign its rights and liabilities in respect of the subscription of the Preference Shares to well-known institutional investor(s) without prior consent of the other parties of the Subscription Agreement.

THE SUBSCRIPTION SHARES

Specific Mandate

The New Ordinary Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Ranking

The New Ordinary Shares and the Conversion Shares will rank *pari passu* in all respects with the Ordinary Shares in issue as at the date of allotment and issue of the New Ordinary Shares and the Conversion Shares respectively.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Ordinary Shares and the Conversion Shares. No application will be made for the listing of, or permission to deal in, the Preference Shares on the Main Board of the Stock Exchange or any other stock exchange.

Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising activity in the past 12 months immediately preceding to the date of the Announcement.

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INFORMATION ON THE SUBSCRIBERS

In October 2014, the Company started the discussion with a team of technical experts in the solar photovoltaic power generation industry (more details of the technical team are set out in the in paragraph headed “Reasons for and benefits of the Subscription and use of proceeds” below) on the possible cooperation in developing the solar photovoltaic power business in the PRC. Given the requirement for substantial capital and other resources such as government relationship for the photovoltaic power business, the Company considered bringing in investors to support its new business. Mr. Wang Ye, who is the leader of the technical team, knew and shared the same views with the Second Subscriber and the Third Subscriber on the development of the photovoltaic power industry in the PRC. Mr. Wang Ye introduced the Second Subscriber and the Third Subscriber to the Company and the Second Subscriber and the Third Subscriber in turn introduced the First Subscriber to the Company.

The First Subscriber is a company incorporated in the British Virgin Islands. It is an investment holding company wholly owned by Beijing Enterprises Water Group Limited, the shares of which are listed on the Main Board of the Stock Exchange under stock code 371. Beijing Enterprises Water Group Limited, through its subsidiaries, is principally engaged in construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC and Malaysia; provision of sewage and reclaimed water treatment services in the PRC and Portugal; distribution and sales of piped water in the PRC and Portugal; the provision of technical and consultancy services that are related to sewage treatment and construction comprehensive renovation projects in the PRC; and the licensing of technical know-how that is related to sewage treatment in the PRC.

The Second Subscriber is a private equity fund with a China focus and comprises two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of the Second Subscriber is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited, a company incorporated in the Cayman Islands.

The Third Subscriber is a limited partnership established under the laws of the PRC on 15 November 2011. The general partner of the Third Subscriber is 北京宥德投資管理中心（有限合夥）(Beijing Youde Investment Management Center (Limited Partnership)*), a limited partnership registered under the laws of the PRC whose general partner is 上海常瑞投資諮詢有限公司 (Shanghai Changrui Investment Consulting Company Limited*), a limited liability company incorporated in the PRC. The Third Subscriber is a China-based private equity fund.

* For identification purposes only

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The Fourth Subscriber is a company incorporated in the British Virgin Islands. It is owned by Zhao Kexi, Yu Liguo, Yang Guang and Xie Yingze, each as to 25% of its issued share capital. The Fourth Subscriber will take up 752,931,940 Ordinary Shares and 1,776,965,020 Preference Shares. The shareholders of the Fourth Subscriber are experienced in business management.

The Fourth Subscriber will procure the following parties to subscribe for an aggregate of 3,588,640,230 Ordinary Shares and an aggregate of 8,469,408,210 Preference Shares. Information on the parties procured by the Fourth Subscriber is set out below:

**Parties procured by the
Fourth Subscriber**

Background

Zihua Investments Limited	A company incorporated in the British Virgin Islands and controlled by Hu Xiaoyong. Hu Xiaoyong is experienced in corporate management and is an executive director and the chief executive officer of Beijing Enterprises Water Group Limited. Zihua Investments Limited is presumed to be party acting in concert with the First Subscriber under the Takeovers Code.
Maolin Investments Limited	A company incorporated in the British Virgin Islands and controlled by Li Haifeng. Li Haifeng is experienced in corporate management and is an executive director and a vice president of Beijing Enterprises Water Group Limited. Maolin Investments Limited is presumed to be party acting in concert with the First Subscriber under the Takeovers Code.
Tenson Investment Limited	A company incorporated in the British Virgin Islands and controlled by Zhou Min. Zhou Min is experienced in corporate management and is an executive director of Beijing Enterprises Water Group Limited. Tenson Investment Limited is presumed to be party acting in concert with the First Subscriber under the Takeovers Code.
Bestech	A company incorporated in the PRC and is controlled by Wang Ye. Wang Ye is experienced in photovoltaic power generation. The principal business of Bestech includes construction project management, subcontracting, promotion of new energy technology, technology consultancy, technology transfer, technology development and sales of machinery and equipment.

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**Parties procured by the
Fourth Subscriber**

Background

Taiping Quantum Prosperity Fund	A fund established in the Cayman Islands and its core strategy is event driven, seeking to achieve the highest return through long-short strategy with different approaches.
Reorient Special Situations Partners, LP	An exempted limited partnership registered in the Cayman Islands and managed by Reorient Special Situations GP Limited.
Strait Acquisition Fund, L.P.	A private equity fund established in the Cayman Islands and managed by Strait Capital Management (HK) Limited, which is licensed to conduct type 9 (asset management) regulated activities under the SFO.
Wenze International Investment Limited	A company incorporated in Hong Kong and controlled by Liao Shuang and Yan Yuqing, who are experienced in investment. Wenze International Investment Limited primarily makes investments in industries of energy, mining, finance, real estate, consumer goods and high-tech, with its business presence in Asia-Pacific, North America and Europe.
China Alpha II Fund Limited	A company incorporated in the Cayman Islands which focuses on investment in companies in greater China region. China Alpha II Fund Limited is managed by China Alpha Fund Management Ltd, which is registered as an excluded person under the Securities Investment Business Law (as revised) of the Cayman Islands and acts as the investment manager to funds on a discretionary basis in accordance with their respective guidelines and restrictions.
Global Integrity Alpha Fund Limited	A company incorporated in the Cayman Islands which focuses on investment in listed companies globally. Global Integrity Alpha Fund Limited is managed by China Alpha Fund Management Ltd, which is registered as an excluded person under the Securities Investment Business Law (as revised) of the Cayman Islands and acts as the investment manager to funds on a discretionary basis in accordance with their respective guidelines and restrictions.

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To the best of the Directors' knowledge having made all reasonable enquiry, none of the parties procured by the Fourth Subscriber will, at Completion, individually hold more than 10% of the issued share capital of the Company as enlarged by the allotment and issue of the New Ordinary Shares.

To the best of the Directors' knowledge having made all reasonable enquiry, each of the Subscribers and the parties procured by the Fourth Subscriber is independent of the Company and its connected persons. Save as disclosed above, none of the parties procured by the Fourth Subscriber are parties acting in concert with any of the Subscribers.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC.

Besides the cigarette packages printing business, the Group has also been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing shareholders' return. In this regard, the Directors consider that photovoltaic power generation is a sector with great potential which presents a good investment opportunity for the Group.

The central government of the PRC has been actively promoting renewable energy in recent years in order to mitigate China's reliance on traditional energy sources (coal, oil and natural gas) and to protect the environment. Since 2012, the PRC government has released a series of policies and measures in support of the photovoltaic industry, including 《關於促進光伏產業健康發展的若干意見》(Opinions on Promoting the Healthy Development of the Photovoltaic Industry*) issued by the State Council of the PRC, as a result of which the photovoltaic industry in the PRC has experienced significant growth. According to the National Energy Administration of the PRC, China's total installed solar photovoltaic power generation capacity has increased by approximately 10.6 GW (or 60.7%) from approximately 17.45 GW as at the end of 2013 to approximately 28.05 GW as at the end of 2014. Of the 10.6 GW installed capacity added in 2014, 8.55 GW was from ground photovoltaic power stations and 2.05 GW was from distributed photovoltaic power generation facilities. According to 國家能源局關於下達2015年光伏發電建設實施方案的通知 (Notice on the Implementation Plan of the Development of Photovoltaic Power Generation in 2015 issued by the National Energy Administration*), China's total addition of installed capacity of photovoltaic power plants shall be 17.8 GW in 2015. According to the 能源發展戰略行動計劃 (2014-2020) (Strategic Action Plan for Energy Development (2014-2020)*) issued by the General Office of the State Council of the PRC in 2014, the installed capacity of photovoltaic power generation shall reach 100GW by year 2020. It is expected that in the coming years China will continue to be the largest solar photovoltaic power generation market in the world.

* For identification purposes only

LETTER FROM THE BOARD

Bestech and the technical team

Bestech is a company incorporated in the PRC, the principal business of which includes construction project management, subcontracting, promotion of new energy technology, technology consultancy, technology transfer, technology development and sales of machinery and equipment. Bestech and its employees (the “**Technical Team**”) have extensive experience in the solar photovoltaic power generation industry.

The Group has been cooperating with Bestech in various aspects of photovoltaic power business including, among other things, project development, selection of project location, feasibility analysis, registration application, business negotiation and project design. On 27 March 2015, the Company and Bestech entered into a cooperation agreement, pursuant to which (i) the parties agreed to cooperate with each other in the abovementioned aspects of the photovoltaic power business; and (ii) Bestech agreed to terminate the employment of each member of the Technical Team with Bestech and procure the Technical Team to enter into employment contracts with the Group within seven days after Completion. If any member of the Technical Team is not able to enter into employment contract with the Company within the timeframe as agreed between Bestech and the Company under the cooperation agreement, Bestech shall arrange other person(s) with comparable experience and expertise in the photovoltaic power industry to join the Company or its subsidiary within 15 days after Completion. Each member of the Technical Team has irrevocably undertaken to the Company that he/she will enter into employment contract with the Company upon completion of the Subscription. After such employment contracts having been entered into, the cooperation between the Company and Bestech will cease.

The biographical details of the members of the Technical Team are set out below:

Wang Ye (王野) – Mr. Wang Ye, senior engineer, has over 5 years of experience in the photovoltaic power industry and is the general manager of Bestech. Since 2009, Mr. Wang was the technology director of 中廣核太陽能開發有限公司 (CGN Solar Energy Development Co., Ltd.) (“**CGN Solar**”) during October 2009 to March 2014. During his employment in CGN Solar, Mr. Wang has involved in the construction of a number of pioneer photovoltaic power projects in the PRC including, among others, a 10 MW grid-connected photovoltaic power plant in 甘肅敦煌 (Dunhuang City, Gansu Province), a 100 MW grid-connected photovoltaic power plant in 青海省錫鐵山 (Xi Tie Shan Town, Qinghai Province), being the then largest grid-connected photovoltaic power plant in the world and an off-grid photovoltaic power project in 青海省曲麻萊縣 (Qu Ma Lai County, Qinghai Province), being the then largest off-grid photovoltaic power plant in the world. Mr. Wang was also involved in research projects in relation to the photovoltaic power generation technologies. Mr. Wang was the reviewer of several national standards in the photovoltaic power generation field. Mr. Wang was appointed by 青海省能源開發建設協調領導小組 (Cooperative Lead Group of Energy Development and Construction of the Qinghai Province*) as a committee expert in 2011 and appointed by 華為技術有限公司 (Huawei Technology Company Limited*) as the chief consultant in photovoltaic business in 2014.

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Han Songbai (韓松柏) – Mr. Han Songbai holds a bachelor degree in electric power system and automation and project manager, senior engineer and registered electrical engineer qualifications. Before joining Bestech, Mr. Han assumed various positions in 中國核電工程有限公司 (China Nuclear Power Engineering Co., Ltd.). Mr. Han is experienced in equipment procurement of engineering project.

Xie Bin (謝斌) – Mr. Xie Bin holds a doctor degree and is a senior engineer in electric engineering. Mr. Xie has over 5 years of experience in the photovoltaic power industry. Mr. Xie joined CGN Solar in 2010. During his employment in CGN Solar, Mr. Xie involved in the construction of a number of pioneer photovoltaic power projects in the PRC. Mr. Xie was also involved in research projects and formulated and reviewed several internal technology standards of CGN Solar in relation to photovoltaic power generation.

Lan Yunpeng (蘭雲鵬) – Mr. Lan Yunpeng holds bachelor degrees in electric engineering and automation and business administration. Mr. Lan has over 5 years of experience in the photovoltaic power industry. Before joining Bestech, Mr. Lan worked as a senior manager in engineering management centre and an assistant manager in the production safety department of CGN Solar. Mr. Lan also involved in the formulation of several internal technology standards of CGN Solar and was experienced in the operation and maintenance of photovoltaic power stations.

Zhao Jun (趙軍) – Mr. Zhao Jun has around 5 years of experience in business development of photovoltaic power projects including contracts negotiation, project registration and financing.

Min He (閔何) – Ms. Min He holds a master degree in management science and has obtained the qualification of Registered Consulting Engineer. Before joining Bestech, Ms. Min worked in CGN Solar. During her employment in CGN Solar, Ms. Min involved in a number of photovoltaic power projects in the PRC.

Yang Xiaoyu (楊曉宇) – Ms. Yang Xiaoyu is experienced in the electric power industry and has involved in various aspects of photovoltaic power projects including system design, equipment procurement, project tendering and technical management.

Zheng Zhi (鄭智) – Mr. Zheng Zhi holds a bachelor degree in administrative management. Mr. Zheng joined CGN Solar in 2010 as a business manager and has over 5 years of experience in the photovoltaic power industry.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the members of the Technical Team held any Ordinary Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

In view of the cooperation agreement between the Company and Bestech and the irrevocable undertakings made by each of the members of the Technical Team and that Bestech will subscribe for New Ordinary Shares and Preference Shares under the Subscription which will align the interest of Bestech with that of the Company, the Directors are confident that the Company is able to retain the employment of the Technical Team after Completion.

Overview of the photovoltaic power business

In the PRC, photovoltaic power plants mainly comprise of (i) grid-connected photovoltaic power plants (併網光伏電站); and (ii) distributed photovoltaic power generation facilities (分佈式光伏發電設施). Grid-connected plants are connected to the power grid and transmit electricity to the grid at the regional photovoltaic on-grid tariff set by the PRC government, of which the portion higher than the on-grid tariff for coal-fired power generating enterprises is subsidised by the government. Distributed photovoltaic power generation facilities are, in general, situated near the end-users (mainly installed on rooftops) with smaller capacity than the grid-connected plants. Electricity generated by the distributed photovoltaic power facility is usually sold to the nearby end-user and any residual electricity will be sold to the grid, in both cases the photovoltaic power generating enterprise will be subsidised by the government at a standardised rate of RMB0.42 per kWh. Alternatively, the distributed photovoltaic power generating enterprise could sell the electricity to the grid in full at the applicable photovoltaic power on-grid tariff.

The development of a ground grid-connected photovoltaic power project normally starts with identifying suitable region for development, for which factors including local solar energy condition and government policies will be taken into account. After the region is identified, the developer will obtain from the local government an in-principal approval to commence the preliminary work including, among other things, preparing feasibility report, registering the project company and determining the specific location of the power plant. In some cases an investment agreement will be signed between the developer and the local government. After the preliminary work is completed, an application for registration of the project (項目備案) will be filed to the local government. Upon the completion of the project registration and the relevant pre-construction approvals (including but not limited to 建設項目選址意見書 (Permission Notes for Construction Project Location*), 建設用地規劃許可證 (Construction-use Land Planning Permit*), 建設用地批准書 (Construction-use Land Approval*), 建設工程規劃許可證 (Construction Project Planning Permit*) and 建設工程施工許可證 (Construction Project Work Permit*)) having been obtained, the project company may commence the construction of the photovoltaic power plants, which normally take around six months to complete. After the construction of the power plant and the relevant testing and completion inspection procedures are completed, the power plant will be connected to the grid. The project company is required to obtain the 電力業務許可證 (Power Business Permit*) in order to conduct the business of sales of electricity to the grid.

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Projects of the Company

On 16 February 2015, Greatest Winner entered into a framework agreement with 河北省蔚縣人民政府 (the people's government of Yu County, Hebei Province) for the investment and development of photovoltaic power projects in 蔚縣 (Yu county) in Hebei Province, the PRC with an expected aggregate installed capacity of 3 GW during 2015 to 2020, of which 200 MW is expected to be developed in 2015 (the “**Yu County Project**”). The actual capacity of the Yu County Project is subject to the approval of the relevant government authorities. On 27 February 2015, the Company received a letter from 蔚縣發展改革局 (the Development and Reform Bureau of Yu county*), which approved the commencement of the preliminary work for the Yu County Project. As at the Latest Practicable Date, the Company is in the process of obtaining the registration approval for the Yu County Project. It is expected that the relevant approvals for installed capacity of 50 MW of the Yu County Project could be obtained by the end of April 2015. The estimated investment for such 50 MW project is approximately RMB425 million.

On 19 March 2015, Greatest Winner entered into a memorandum of understanding with 北京中能信光電技術有限公司 (Beijing Zhong Neng He Xin Guang Dian Technology Company Limited*) (the “**Longhua County Project Company**”) and its shareholders (the “**Project Owners**”), pursuant to which the parties agreed, among other things, to cooperate in the development of a photovoltaic power project owned by the Longhua County Project Company in 河北省承德市隆化縣步古溝鎮 (Bugugou Town, Longhua County, Chengde City, Hebei Province), the PRC with installed capacity of 20 MW (the “**Longhua County Project**”). As at the Latest Practicable Date, the Longhua County Project has obtained the 固定資產投資項目備案證 (Registration Certificate for Fixed Assets Investment*) issued by Hebei Development and Reform Commission and was in the process of obtaining other approvals and permits required for the commencement of construction of the power plant. Pursuant to the memorandum of understanding, Greatest Winner or its designated party shall provide, among others things, technical support and consultancy services, funding and necessary assistance in procuring electric equipment, selecting service providers in respect of the design, construction, installation and testing of the Longhua County Project to the Longhua County Project Company and the Project Owners whilst the Project Owners agreed to enter into definitive agreements to pledge the equity interest and all machinery and equipment owned by the Longhua County Project Company and the future income of the Longhua County Project to Greatest Winner or its designated party. The parties also agreed to enter into definitive agreement pursuant to which the Project Owners irrevocably agree to transfer the equity interest of the Longhua County Project Company to Greatest Winner or its designated party upon the completion of the construction of the Longhua County Project. The Company intends to enter into definitive agreements in respect of the Longhua County Project after Completion. The estimated investment cost for the development of the Longhua County Project is approximately RMB170 million.

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Based on the signed agreement and memorandum of understanding above, the Company would require imminent funding of approximately RMB595 million (equivalent to approximately HK\$744 million) during May to October 2015 to complete the Yu County Project and the Longhua County Project. As the Group has not conducted photovoltaic power business before and does not have substantial photovoltaic power business related assets, it is expected that bank borrowing may not be available to the Group for the development of the Yu County Project and the Longhua County Project and substantially all capital requirements for these two projects will be financed by internal resources of the Group.

On 19 March 2015, Greatest Winner entered into a framework agreement with 山東省微山縣人民政府 (the people's government of Weishan County, Shandong Province) pursuant to which Greatest Winner intends to invest in and construct photovoltaic power projects in Weishan County, Shandong Province, the PRC with expected aggregate capacity of 1.5GW during 2015 to 2019, of which 100 MW to 300 MW is expected to be developed in 2015 (the “**Weishan Project**”).

On 19 March 2015, Greatest Winner entered into a memorandum of understanding with 北京萬源工業有限公司 (Beijing Wanyuan Industrial Company Limited*) pursuant to which the parties agreed to cooperate in the development of photovoltaic power stations in Inner Mongolia with expected aggregate capacity of not less than 700MW (the “**Inner Mongolia Projects**”).

In addition to the above, the Company is also in discussion with several parties in relation to the development of photovoltaic power projects in various provinces in the PRC. If the Yu County Project and/or the Longhua County Project cannot proceed as planned, the proceeds from the Subscription will be applied to other projects including but not limited to the Weishan Project and the Inner Mongolia Projects.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Group's counterparties in respect of the Yu County Project, the Longhua County Project, the Weishan Project and the Inner Mongolia Projects held any Ordinary Shares as at the Latest Practicable Date.

Based on the current business plan and discussions with the local partners and government, the Group plans to develop grid-connected photovoltaic power plants with aggregate installed capacity of 450MW, 500MW and 550MW and distributed photovoltaic power plants with aggregate installed capacity of 50MW, 100MW and 50MW respectively during each of the first, second and third 12-month period after Completion. With reference to the prevailing development cost of approximately RMB8.5 million per MW for grid-connected photovoltaic power plants and approximately RMB9 million per MW for distributed photovoltaic power plants, it is estimated that the total investment for the projects to be developed by the Company during each of the first, second and third 12-month period after Completion will amount to approximately RMB3,720

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million, RMB4,867 million and RMB5,255 million respectively, of which approximately 30% is expected to be funded by internal resources of the Group (mainly from the net proceeds of the Subscription) and the remaining 70% to be financed by bank borrowings.

Nevertheless, the above projects are still in a preliminary stage and may or may not proceed or be completed successfully. The capacity of the solar power plants to be developed and the expected amount of investment as stated above is only a preliminary estimate. The actual progress of the projects is subject to a number of factors including but not limited to government approvals and whether external financing can be obtained at reasonable cost and on a timely manner, therefore the actual scale and investment costs of the projects may turn out to be different from the above figures. Shareholders and investors shall exercise caution when dealing in the Ordinary Shares.

Alternative financing methods

The Company has considered other fund raising methods such as rights issue or open offer, and debt financing. Having considered the following factors, the Directors consider that the Subscription is more preferable:

- (i) the substantial amount of capital requirement of the photovoltaic power generation business;
- (ii) given the Company's current market capitalisation, it will be difficult for financial institutions to provide facility of up to such substantial amount to the Group and debt financing will inevitably increase financial costs for the Company; and
- (iii) in addition to capital requirement, development of photovoltaic power business in the PRC involves identifying suitable locations with favorable solar conditions and government policies for the development of solar projects. The Subscribers, whose business cover a wide range of regions across the PRC, may utilise their relationship with the local governments in the PRC and assist the Company in identifying suitable locations and/or negotiate for more favorable investment terms. The Company and the First Subscriber are exploring the possibility of developing distributed photovoltaic projects on the existing and future sewage water treatment plants owned by Beijing Enterprises Water Group Limited, the holding company of the First Subscriber which, if materialised, might bring synergy value to both parties. A pre-emptive issue such as rights issue or open offer may not be able to bring in strategic investors as in the case of the Subscription.

The Directors (including the members of the Independent Board Committee, after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Use of proceeds

The gross proceeds of the Subscription (a) at Completion are approximately HK\$1,125.7 million and (b) upon the issue of all the New Ordinary Shares and the Preference Shares are approximately HK\$3,752.4 million. The entire net proceeds from the Subscription (i) at Completion, after deduction of all related expenses, of approximately HK\$1,116.0 million and (ii) upon the issue of all the New Ordinary Shares and the Preference Shares, after deduction of all related expenses, of approximately HK\$3,742.8 million, are intended to be applied to finance the investments in and/or development of photovoltaic power projects as discussed above.

Risk factor

Shareholders and investors should note that photovoltaic power generation is a relatively new industry in the PRC. Due to its high development costs as compared to traditional energy sources, photovoltaic power generation is still mainly driven by favorable government policies at present. Should there be any change in government policies or significant decrease in the prices of traditional energy sources such as oil, coal and natural gas, the prospects of photovoltaic power generation may be materially and adversely affected.

Moreover, the current management team of the Company does not have previous experience in the photovoltaic power generation industry. Therefore, as mentioned above, the Company will recruit relevant technical personnel with experiences and expertise in the industry to help develop and manage the photovoltaic power projects. Further, the future operating results of the Group will depend on the Company's ability to implement the plan of development of the photovoltaic power projects in a timely manner. The delivery of each project will in turn depend on a number of factors which may be out of the Group's control. Any failure in the negotiation of cooperation/investment with the local parties or any delay in the development of the projects may have a material impact on the future financial results of the Company.

Given the above risks and uncertainties, Shareholders and investors are reminded to exercise caution when dealing in the Ordinary Shares.

The Directors (including members of the Independent Board Committee who have taken into account the advice from the Independent Financial Adviser and whose opinion is set out in the Letter from the Independent Board Committee in this circular) are of the view that the Subscription represents a valuable opportunity for the Group to raise a substantial amount of funds for the expansion into an industry supported by favorable government policies and bring in the Subscribers as solid Shareholders. The Directors consider that the Subscription provides the Company with the financial strength and flexibility in this pursuit. The Directors are confident that the Subscribers will bring in additional resources and investment opportunities to the Company which is beneficial to the Company and the Shareholders as a whole. Therefore, despite the risks associated with the development of the photovoltaic power business and the dilution effect of the Subscription, the Directors consider it is in the interest of the Company to enter into the photovoltaic power business and to proceed with the Subscription.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

The Company has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Ordinary Shares as at the Latest Practicable Date.

The table below sets out the effect of the Subscription on the shareholding structure of the Company immediately upon (i) Completion; and (ii) conversion of each tranche of the Preference Shares in full, assuming that no Ordinary Shares will be allotted and issued between the Latest Practicable Date and the date on which all the Preference Shares have been fully converted.

	As at the Latest Practicable Date		Immediately after the allotment and issue of the New Ordinary Shares and before conversion of any Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche A Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche A Preference Shares and Tranche B Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares, the Tranche A Preference Shares, Tranche B Preference Shares and Tranche C Preference Shares		Immediately after Completion and conversion in full of all the Preference Shares	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Ocean Ahead (Note (1))	2,400,000,000	75.00	2,400,000,000	13.84	2,400,000,000	13.75	2,400,000,000	8.91	2,400,000,000	6.58	2,400,000,000	5.22	2,400,000,000	4.73
The Concert Group (other than Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited)														
The First Subscriber	-	-	5,274,166,550	30.42	5,316,455,700	30.47	8,860,759,500	32.88	12,405,063,300	34.03	15,949,367,100	34.71	17,721,519,000	34.95
The Second Subscriber	-	-	2,260,357,100	13.04	2,278,481,020	13.06	3,797,468,360	14.09	5,316,455,700	14.59	6,835,443,040	14.88	7,594,936,710	14.98
The Third Subscriber	-	-	2,260,357,090	13.04	2,278,481,010	13.06	3,797,468,350	14.09	5,316,455,690	14.59	6,835,443,030	14.88	7,594,936,700	14.98
Subtotal of the Concert Group (other than Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited)	-	-	9,794,880,740	56.50	9,873,417,730	56.58	16,455,696,210	61.06	23,037,974,690	63.21	29,620,253,170	64.46	32,911,392,410	64.91
Subtotal of the Concert Group (including Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited below)	-	-	11,257,098,740	64.93	11,347,360,030	65.03	18,912,266,730	70.18	26,477,173,410	72.64	34,042,080,090	74.09	37,824,533,440	74.61
Other Shareholders														
The Fourth Subscriber	-	-	752,931,940	4.34	758,969,080	4.35	1,264,948,460	4.69	1,770,927,860	4.86	2,276,907,260	4.96	2,529,896,960	4.99
Parties procured by the Fourth Subscriber														
Zhihua Investments Limited	-	-	595,227,370	3.43	600,000,000	3.44	1,000,000,000	3.71	1,400,000,000	3.84	1,800,000,000	3.92	2,000,000,000	3.94
Maolin Investments Limited	-	-	391,976,590	2.26	395,119,520	2.26	658,532,550	2.44	921,945,560	2.53	1,185,358,570	2.58	1,317,065,080	2.60
Taiping Quantum Prosperity Fund	-	-	545,499,510	3.15	549,873,420	3.15	916,455,700	3.40	1,283,037,980	3.52	1,649,620,260	3.59	1,832,911,400	3.62
Wenze International Investment Limited	-	-	543,525,090	3.14	547,883,160	3.14	913,138,600	3.39	1,278,394,040	3.51	1,643,649,480	3.58	1,826,277,200	3.60
Tenson Investment Limited	-	-	475,014,040	2.74	478,822,780	2.74	798,037,970	2.96	1,117,253,160	3.07	1,436,468,350	3.13	1,596,075,950	3.15
Reorient Special Situation Partners, LP	-	-	385,529,460	2.22	388,620,700	2.23	647,701,170	2.40	906,781,640	2.49	1,165,862,110	2.54	1,295,402,340	2.56
Strait Acquisition Fund, L.P.	-	-	376,726,200	2.17	379,746,850	2.18	632,911,400	2.35	886,075,950	2.43	1,139,240,500	2.48	1,265,822,770	2.50
Bestech	-	-	237,469,350	1.37	239,373,420	1.37	398,955,700	1.48	558,537,980	1.53	718,120,260	1.56	797,911,400	1.57
China Alpha II Fund Limited	-	-	18,836,310	0.11	18,987,350	0.11	31,645,570	0.12	44,303,810	0.12	56,962,030	0.12	63,291,150	0.12
Global Integrity Alpha Fund Limited	-	-	18,836,310	0.11	18,987,340	0.11	31,645,580	0.12	44,303,800	0.12	56,962,040	0.12	63,291,150	0.12
Existing Shareholders (other than Ocean Ahead)	800,000,000	25.00	800,000,000	4.61	800,000,000	4.58	800,000,000	2.97	800,000,000	2.19	800,000,000	1.74	800,000,000	1.58
Subtotal	800,000,000	25.00	5,141,572,170	29.66	5,176,383,620	29.66	8,093,972,700	30.03	11,011,561,780	30.21	13,929,150,860	30.31	15,387,945,400	30.35
Total	3,200,000,000	100.00	17,336,452,910	100.00	17,449,801,350	100.00	26,949,668,910	100.00	36,449,536,470	100.00	45,949,404,030	100.00	50,699,337,810	100.00

Note:

- (1) The 2,400,000,000 Ordinary Shares are beneficially owned by Ocean Ahead, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Li, a Director.

LETTER FROM THE BOARD

DEALING AND INTEREST OF THE CONCERT GROUP IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, save in respect of the Subscription or the Subscription Agreement and as disclosed in this circular, each of the First Subscriber, the Second Subscriber and the Third Subscriber has confirmed that none of the members of the Concert Group:

- (a) owns, controls or has direction over any outstanding options, warrants, or any securities that are convertible into Ordinary Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) save as disclosed in the paragraph headed “Other undertakings” above, has received any irrevocable commitment to vote for the Subscription and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) has 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 any of the member of the Concert Group, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; or
- (f) had dealt in Ordinary Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Ordinary Shares, during the six months prior to the date of the First Announcement.

APPLICATION FOR WHITEWASH WAIVER

The First Subscriber, the Second Subscriber and the Third Subscriber are parties acting in concert with respect to the Company. Upon Completion, the Concert Group will be interested in Ordinary Shares, representing approximately 64.93% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares. Upon full conversion of the Preference Shares, they will in aggregate be interested in Ordinary Shares representing approximately 74.61% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares.

LETTER FROM THE BOARD

Under Rule 26.1 of the Takeovers Code, the First Subscriber, the Second Subscriber and the Third Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Concert Group as a result of the Subscription of the New Ordinary Shares, unless the Whitewash Waiver is obtained from the Executive. The First Subscriber, the Second Subscriber and the Third Subscriber have made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. The Subscribers and parties acting in concert with any of them, their respective associates (within the meaning of the Takeovers Code) and any other Shareholders who are interested or involved in the Subscription and/or the Whitewash Waiver (including Ocean Ahead) shall abstain from voting in respect of the resolutions approving the Subscription and the Whitewash Waiver at the EGM. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being approved by the Independent Shareholders.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Concert Group in the Company will exceed 50% upon the allotment and issue of the New Ordinary Shares. The Concert Group may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

FUTURE INTENTION OF THE FIRST SUBSCRIBER, THE SECOND SUBSCRIBER AND THE THIRD SUBSCRIBER REGARDING THE GROUP

The First Subscriber, the Second Subscriber and the Third Subscriber intend to maintain the listing of the Ordinary Shares on the Main Board of the Stock Exchange and continue the current business operation of the design, printing and sale of cigarette packages in the PRC of the Group with the present management after Completion. The First Subscriber, the Second Subscriber and the Third Subscriber intend to continue the employment of the employees of the Group and do not intend to redeploy the fixed assets of the Group. The First Subscriber, the Second Subscriber and the Third Subscriber are in support of the new business to be developed by the Group as described in the section headed “Reasons for and benefits of the Subscription and use of proceeds”. They will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

LETTER FROM THE BOARD

INCREASE IN AUTHORISED SHARE CAPITAL AND AMENDMENT TO ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 6 February 2015, the circular of the Company dated 13 February 2015 and the poll results of the extraordinary general meeting announcement dated 4 March 2015 in relation to the Share Subdivision. It was proposed that each of the issued and unissued Ordinary Shares of par value of HK\$0.01 each in the share capital of the Company be subdivided into ten (10) subdivided Ordinary Shares of par value of HK\$0.001 each. At the extraordinary general meeting of the Company held on 4 March 2015, the resolution in relation to the Share Subdivision was duly passed as an ordinary resolution by the Shareholders by way of poll and the Share Subdivision became effective on 5 March 2015. Immediately after the Share Subdivision becoming effective and as at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 20,000,000,000 Ordinary Shares of par value HK\$0.001 each, of which 3,200,000,000 Ordinary Shares of par value HK\$0.001 each were in issue and were fully paid or credited as fully paid.

For the Subscription, the Board proposes the Share Capital Resolution to increase the authorised share capital of the Company from HK\$20,000,000 to HK\$500,000,000 by (i) the creation of additional Ordinary Shares and (ii) the creation of the Preference Shares. Upon approval of the Share Capital Resolution, the authorised share capital of the Company will be HK\$500,000,000 divided into 466,637,115,100 ordinary shares of HK\$0.001 each and 33,362,884,900 Preference Shares of HK\$0.001 each.

In order to facilitate the creation and the issue and allotment of the Preference Shares, the Board proposes to amend the Articles of Association as set out in Appendix III to this circular. The effect of the proposed amendments to the Articles of Association is to create a new class of shares of the Company i.e. the Preference Shares by (i) apportioning the authorised share capital of the Company for the Ordinary Shares and the Preference Shares; and (ii) incorporating the terms of the Preference Shares into the Articles of Association.

The amendments to the Articles of Association are conditional upon, among others, the passing of a special resolution by Independent Shareholders at the EGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms and conditions of the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to make recommendation to the Independent Shareholders as to their voting on the proposed resolutions approving the Subscription and the Whitewash Waiver at the EGM. The appointment of Somerley Capital Limited as the independent financial adviser has been approved by the Independent Board Committee.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zeng Shiquan, Mr. Tam Tak Kei Raymond and Professor Lam Sing Kwong Simon, has been formed to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. Mr. Huang Chao, a non-executive Director, was not involved in the negotiation of or interested in the Subscription. However, as Mr. Huang Chao is the son of Ms. Huang Li, a controlling Shareholder and who will abstain from voting (through Ocean Ahead) on the relevant resolutions to be proposed at the EGM, he has been excluded from the Independent Board Committee.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association by way of a poll. For the purpose of the Subscription (including the Specific Mandate), the Share Capital Resolution and the amendment to Articles of Association, any Shareholder and its associates who have material interest in such matters shall abstain from voting on the resolutions to be proposed at the EGM to approve such matters.

For the purpose of the Whitewash Waiver, the Subscribers and parties acting in concert with any of them, their respective associates (within the meaning of the Takeovers Code) and other Shareholders who are interested or involved in the Subscription (including the Specific Mandate) and/or the Whitewash Waiver shall abstain from voting on the resolutions to be proposed at the EGM to approve the Whitewash Waiver.

To the best knowledge of the Directors, none of the Shareholders has a material interest (other than being a Shareholder) in the Subscription (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution or the amendment to Articles of Association as at the Latest Practicable Date. As Ms. Huang Li was involved in the negotiation of the Subscription, Ocean Ahead, the entire issued share capital of which is owned by Ms. Huang Li, will abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Subscription (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association. Apart from the above, no Shareholders are required to abstain from voting at the EGM in respect of the resolutions relating to the aforesaid matters.

EGM

A notice convening the EGM to be held at Edinburgh and Gloucester Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 4 May 2015 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, approving, among other things, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association by way of a poll.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than forty-eight (48) hours before the time of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting of any adjourned meeting should they wish to do so.

RECOMMENDATION

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser), considers that the terms of the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and, accordingly, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Share Capital Resolution and the amendment to Articles of Association.

ADDITIONAL INFORMATION

Your attention is drawn to (i) this letter from the Board; (ii) a letter from the Independent Board Committee as set out on pages 45 to 46 of this circular; and (iii) a letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee as set out on pages 47 to 84 of this circular.

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

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed "Conditions of the Subscription" in this letter from the Board, including approval at the EGM by the Independent Shareholders of the Subscription and the Whitewash Waiver. The Subscription may or may not proceed.

LETTER FROM THE BOARD

Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary 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
Jin Cai Holdings Company Limited
Huang Li
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver.



Jin Cai Holdings Company Limited

金彩控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

10 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) ISSUE OF NEW ORDINARY SHARES AND
PREFERENCE SHARES; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 10 April 2015 issued by the Company (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed as the members of the Independent Board Committee to consider the Subscription Agreement and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Somerley Capital Limited, has been appointed to advise the Independent Board Committee in this regard.

RECOMMENDATIONS

We wish to draw your attention to the letter from the Board, as set out from pages 7 to 44 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver as set out from pages 47 to 84 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into consideration the advice from the Independent Financial Adviser and the terms of the Subscription Agreement and the Whitewash Waiver, we consider that (1) the terms and conditions of the Subscription Agreement are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and (2) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the EGM to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Zeng Shiquan

**Mr. Tam Tak Kei
Raymond**

**Professor Lam Sing Kwong
Simon**

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Somerley Capital Limited to the Independent Board Committee in relation to the Subscription and the Whitewash Waiver, which has been prepared for the purpose of inclusion in the Circular.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

10 April 2015

*To: The independent board committee of
Jin Cai Holdings Company Limited*

Dear Sirs,

ISSUE OF NEW ORDINARY SHARES AND PREFERENCE SHARES; AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Subscription and the Whitewash Waiver. Details of the Subscription and the Whitewash Waiver are set out in the circular to the Shareholders dated 10 April 2015 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Company and the Subscribers entered into the principal Subscription Agreement on 9 December 2014, the First Supplemental Agreement on 29 December 2014 and the Second Supplemental Agreement on 31 January 2015. Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe for or procure subscribers for, and the Company has conditionally agreed to allot and issue, (i) the New Ordinary Shares representing approximately 441.76% of the issued Ordinary Shares as at the Latest Practicable Date or approximately 81.54% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares; and (ii) the Preference Shares, at an issue price of HK\$0.79 each, or in the event of the Share Subdivision having taken place before Completion, at an issue price of HK\$0.079 each. As set out in the announcement of the Company dated 4 March 2015, the resolution in respect of the Share Subdivision was duly passed as an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

on 4 March 2015. Accordingly, the Share Subdivision became effective on 5 March 2015 and the New Ordinary Shares and the Preference Shares will be issued at an issue price of HK\$0.079 each.

The First Subscriber, the Second Subscriber and the Third Subscriber are parties acting in concert with respect to the Company. Upon Completion, the Concert Group will be interested in 11,257,098,740 Ordinary Shares, representing approximately 64.93% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares. Upon full conversion of the Preference Shares held by the Concert Group, they will in aggregate be interested in 37,824,533,440 Ordinary Shares, representing approximately 74.61% of the Ordinary Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares.

Under Rule 26.1 of the Takeovers Code, the First Subscriber, the Second Subscriber and the Third Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Concert Group as a result of the subscription of the New Ordinary Shares, unless the Whitewash Waiver is obtained from the Executive. The First Subscriber, the Second Subscriber and the Third Subscriber have made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the New Ordinary Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. The Subscribers and parties acting in concert with any of them, their respective associates (within the meaning of the Takeovers Code) and any other Shareholders who are interested or involved in the Subscription and/or the Whitewash Waiver (including Ocean Ahead International Limited) shall abstain from voting in respect of the resolutions approving the Subscription and the Whitewash Waiver at the EGM. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Shiquan, Mr. Tam Tak Kei Raymond and Professor Lam Sing Kwong Simon, to advise the Independent Shareholders on whether the terms and conditions of the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and Shareholders as a whole, and the voting action that should be taken by the Independent Shareholders. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated or connected with the Company or any of the Subscribers, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Subscription and the Whitewash Waiver. Apart from normal professional fees payable to us in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the “**Management**”), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual report of the Company for the financial year ended 31 December 2013 (the “**2013 Annual Report**”), annual results of the Company for the financial year ended 31 December 2014 (the “**2014 AR Announcement**”) and other information contained in the Circular. We have reviewed the trading performance of the Ordinary Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible after the Latest Practicable Date and throughout the offer period (as defined under the Takeovers Code). We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular are true at the time they were made and at the date of the Circular and Shareholders will be notified of any material changes as soon as possible, if any.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Introduction

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 November 2012 whose shares were listed on the Stock Exchange on 5 July 2013. The principal business activity of the Company is investment holding. The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Review of the financial information on the Group

2.1 Financial performance of the Group

Set out below are certain key financial information on the Group as extracted from the consolidated statement of profit or loss and other comprehensive income for each of the three years ended 31 December 2014, details of which are set out in the 2013 Annual Report and the 2014 AR Announcement:

	For the year ended 31 December		
	2014	2013	2012
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	166,516	171,779	183,347
Gross profit	62,331	67,124	67,073
Other income and gains	416	1,163	225
Profit before taxation	36,524	36,250	50,761
Taxation	<u>(13,594)</u>	<u>(15,001)</u>	<u>(15,203)</u>
Profit and total comprehensive income for the year	<u>22,930</u>	<u>21,249</u>	<u>35,558</u>
<i>Profit for the year attributable to:</i>			
– Owners of the Company	22,930	21,249	31,005
– Non-controlling interests	–	–	4,553

The revenue of the Group is generated from one single segment, namely design, printing and sale of cigarette packages.

As disclosed in the 2013 Annual Report, for the financial year ended 31 December 2013 (“**FY2013**”), the Group recorded a decrease of approximately 6.3% in total revenue to approximately RMB171.8 million as compared to the total revenue of approximately RMB183.3 million for the year ended 31 December 2012 (“**FY2012**”). The decline in revenue was mainly due to the decrease in revenue from the Group’s largest and the third largest customers during FY2013 as compared to FY2012. The gross profit for FY2013 is comparable to that of FY2012. Other income and gains of the Group increased to approximately RMB1.2 million for FY2013 from approximately RMB225,000 for FY2012 which was mainly attributable to the receipt of government grants amounting to RMB850,000 in support of Shenzhen Oceania Printing Company Limited (“**Shenzhen Oceania**”), an indirect wholly-owned subsidiary of the Company. Despite that the gross profit for FY2013 is comparable to that of FY2012, the profit attributable to owners of the Company for FY2013 decreased by approximately 31.6%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from approximately RMB31.0 million in FY2012 to approximately RMB21.2 million in FY2013, owing to the increase in administrative expenses and listing expenses during FY2013, during which the Ordinary Shares were listed on the Stock Exchange.

As disclosed in the 2014 AR Announcement, for the financial year ended 31 December 2014 (“**FY2014**”), the Group recorded a slight decrease in total revenue by approximately 3.1% to approximately RMB166.5 million, which was mainly due to the decrease in sale from the second largest customers of the Group. Accordingly, the gross profit of the Group decreased by approximately 7.2% from RMB67.1 million for FY2013 to approximately RMB62.3 million for FY2014. In addition, the Group recorded a decrease in other income and gains from around RMB1.2 million in FY2013 to RMB416,000 in FY2014 which was principally attributable to the non-recurrence of government grant of RMB850,000 which was previously obtained by Shenzhen Oceania in FY2013. The profit attributable to the owners of the Company amounted to approximately RMB22.9 million in FY2014, represented a slight growth by around 7.9% from that in FY2013 of approximately RMB21.2 million.

2.2 Financial position of the Group

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2013 and 31 December 2014 as extracted from the 2013 Annual Report and the 2014 AR Announcement respectively:

	As at	
	31 December 2014 (audited) RMB'000	31 December 2013 (audited) RMB'000
Non-current assets		
Property, plant and equipment	56,515	58,910
Prepaid lease payments	17,586	17,997
Available-for-sale investment	20,000	–
Deposit for acquisition of property, plant and equipment	<u>65</u>	<u>230</u>
	<u>94,166</u>	<u>77,137</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at	
	31 December 2014 (audited) RMB'000	31 December 2013 (audited) RMB'000
Current assets		
Inventories	27,698	14,676
Trade and bills payables	66,199	98,892
Pledged bank deposits	25,449	13,757
Bank balance and cash	101,370	102,088
Other current assets	3,058	1,311
	223,774	230,724
Total assets	317,940	307,861
Current liabilities		
Trade and bills payable	75,400	64,972
Bank borrowings	24,000	24,000
Other current liabilities	11,998	19,773
	111,398	108,745
Non-current liabilities		
Deferred taxation	3,544	3,880
Total liabilities	114,942	112,625
Total equity		
Share capital	2,550	2,550
Reserves	200,448	192,686
	202,998	195,236

As at 31 December 2014, total assets amounted to approximately RMB317.9 million whilst total liabilities amounted to approximately RMB114.9 million. There was no significant change in the total assets and total liabilities of the Group as at 31 December 2014 as compared with those as at 31 December 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Non-current assets of the Group as at 31 December 2014 amounted to approximately RMB94.2 million as compared to approximately RMB77.1 million as at 31 December 2013. The increase was mainly attributable to the available-for-sale investment of an unlisted equity security in the PRC in FY2014 in the amount of RMB20 million.

The Group had cash and cash equivalents of approximately RMB101.4 million as at 31 December 2014, represented a slight decrease of approximately 0.7% from that as at 31 December 2013. The Group recorded current assets of approximately RMB223.8 million as at 31 December 2014 which was comparable to that as at 31 December 2013. Total bank borrowings of the Group amounted to RMB24.0 million as at 31 December 2013 and 31 December 2014. The current ratio (being the current assets over the current liabilities) of the Group slightly decreased from approximately 2.12 times as at 31 December 2013 to approximately 2.01 times as at 31 December 2014. As at 31 December 2014, total equity attributable to owners of the Company amounted to approximately RMB203.0 million or approximately RMB0.63 per Ordinary Share (equivalent to HK\$0.079 per Ordinary Share based on the exchange rate of RMB1.00 to HK\$1.25) based on 3,200,000,000 Ordinary Shares in issue as at the Latest Practicable Date, with no material movement as compared with that as of 31 December 2013.

3. Background to and reasons for the Subscription and the use of proceeds

Business diversification

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. The Group currently produces only one category of products, namely cigarette packages, and its products are sold only in the PRC. Accordingly, the business and results of operations and the future prospects of the Group could be vulnerable to any possible adverse changes in the performance and growth of the cigarette industry in the PRC.

Based on our discussion with the Management, we are given to understand that various tobacco control measures and anti-graft and anti-extravagance measures policies adopted by the PRC Government from time to time have had imposed challenges to operating environment of the Group. The requirements under “The Tolerance Values of Volatile Organic Compounds in Cigarette Carton and Packet Packaging Papers” (《卷煙條與盒包裝紙中揮發性有機化合物的限量指標》) and “Determination of Volatile Organic Compounds in Cigarette Carton and Packet Packaging Papers – Headspace-gas Chromatography” (《卷煙條與盒包裝紙中揮發性有機化合物的測定：頂空－氣相色譜法》), which prevent cigarette packaging manufacturers from using raw materials that are harmful to the environment, have incurred higher cost to the cigarette packaging manufacturers including the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Later in 2011 the “Implementing Rules of the Administration Regulations on the Hygiene in Public Places” (《公共場所衛生管理條例實施細則》) which prohibits, amongst others, the placing of cigarette vending machines in public areas, have also aimed to suppress the demand of PRC citizens for cigarette which would have possibly affected the business of the Group. On 25 November 2013, the PRC central government issued a written regulation to forbid all levels of government from using public money to organise event with costly performances and expensive gifts. In December 2013, the PRC central government further banned official banquets from consuming, among others, cigarettes and high-end liquor. Such measures were believed to have possible indirect adverse impact on the sales of high-end cigarettes in the PRC. Further in November 2014, the Health and Family Planning Commission of the PRC government further issued a consultation regarding the “Smoking in Public Places Control Ordinance (draft)” (《公共場所控制吸煙條例(送審稿)》) which suggests that, among other things, smoking and advertisements, sale and promotion of tobacco shall be strictly prohibited in all indoor areas and some particular outdoor areas including schools and hospitals. Offenders are proposed to be fined a maximum of RMB500 for individual and RMB30,000 for corporate entity. The draft ordinance, if came into effect, may possibly further suppress the demand of PRC citizens for cigarette and hamper business growth of the Group.

In view of the Group’s single line of business and the challenges faced by the cigarette industry from time to time, as mentioned in the letter from the Board in the Circular, the Group has been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing shareholders’ return.

The central government of the PRC has been actively promoting clean energy in recent years. According to the Strategic Action Plan for Energy Development (2014-2020) (《能源發展戰略行動計劃(2014-2020)》) issued by the State Council of the PRC in 2014, the PRC government, among others, (i) encourages large public buildings, public facilities and industrial parks to construct distributed photovoltaic roof (屋頂分散式光伏發電), (ii) strengthens the solar power generation and network services; and (iii) aims to achieve installed gross capacity of photovoltaic power generation of 100GW by year 2020. With the support from the PRC government, it is expected that in coming years, China will continue to be the largest solar photovoltaic power generation market in the world and therefore, the Company considers that photovoltaic power generation is a sector with great potential which presents a good investment opportunity for the Group. The Subscription and the diversification of the Group’s business from solely cigarette packaging to solar energy business will enable the Group to be equipped with necessary expertise and explore new business opportunities so as to diversify its income source in addition to its established cigarette packaging business, which is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technical expertise

As mentioned in the letter from the Board in the Circular, Bestech (which is one of the subscribers to be procured by the Fourth Subscriber) is principally engaged in the business which includes construction project management, subcontracting, promotion of new energy technology, technology consultancy, technology transfer, technology development and sales of machinery and equipment. The employees (the “**Technical Team**”) of Bestech have extensive experience in the solar photovoltaic power generation industry. As mentioned in the biographical details of the members of the Technical Team under the section headed “Reasons for and benefits of the Subscription and use of proceeds” in the letter from the Board in the Circular, majority of the members of the Technical Team has over 5 years of experience in the photovoltaic power industry. In particular, Mr. Wang Ye and Mr. Xie Bin has involved in the construction of a number of pioneer photovoltaic power projects in the PRC, in particular, Mr. Wang Ye has involved in the construction of a grid-connected photovoltaic power project and an off-grid photovoltaic project in Qinghai Province, each of which being the then largest grid-connected photovoltaic power plant and off-grid photovoltaic plant in the world. Please refer to the section headed “Reasons for and benefits of the Subscription and use of proceeds” in the letter from the Board in the Circular for the biographical details of the members of the Technical Team.

The Group has been cooperating with Bestech in various aspects of photovoltaic power business including, among other things, project development, selection of project location, feasibility analysis, registration application, business negotiation and project design. As disclosed in the letter from the Board in Circular, on 27 March 2015, the Company and Bestech entered into a cooperation agreement (the “**Cooperation Agreement**”), pursuant to which (i) the parties agreed to cooperate with each other in the abovementioned aspects of the photovoltaic power business; and (ii) Bestech agreed to terminate the employment of each member of the Technical Team with Bestech and procure the Technical Team to enter into employment contracts with the Group within seven days after Completion. If any member of the Technical Team is not able to enter into employment contract with the Company within the timeframe as agreed between Bestech and the Company under the cooperation agreement, Bestech shall arrange other person(s) with comparable experience and expertise in the photovoltaic power industry to join the Company or its subsidiary within 15 days after Completion. Each member of the Technical Team has irrevocably undertaken to the Company that he/she will enter into employment contract with the Company upon completion of the Subscription. As mentioned in the letter from the Board in the Circular, after such employment contracts having been entered into, the cooperation between the Company and Bestech will cease since the Technical Team which comprises the key personnel of Bestech will be under the employment of the Group.

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In view of the Cooperation Agreement and the irrevocable undertakings made by each of the members of the Technical Team and that Bestech will subscribe for New Ordinary Shares and Preference Shares under the Subscription which will align the interest of Bestech with that of the Company, we concur with the Directors' view that the Company is able to retain the employment of the Technical Team after Completion.

As further disclosed in the letter from the Board in the Circular, Mr. Xu Honghua is to be appointed as an independent non-executive Director. Mr. Xu, as disclosed in his biographical details as set out in the letter from the Board, has been involved in the research and/or projects of wind power, photovoltaic and hybrid power generation systems including grid-connected and off-grid solar photovoltaic plants and the technologies on wind/photovoltaic-integrated power plant systems, electrical control over wind turbines and remote monitoring, control over photovoltaic power generation systems and automatic tracking. The Company also intends to appoint one or two executive Director(s) with relevant experience in the photovoltaic power industry after Completion.

Given the arrangements under the Cooperation Agreement and the proposed appointment of Mr. Xu Honghua, who has solid background in the power energy industry including but not limited to photovoltaic power generation, as an independent non-executive Director, we concur with the Directors' view that the Board will have sufficient experience and expertise to manage the photovoltaic power business.

The Company's latest development in the photovoltaic power business

We are given to understand that the Company has been in the process of kicking start the development of the photovoltaic power business.

Yu County Project

As disclosed in the announcement of the Company dated 16 February 2015, Greatest Winner, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with 河北省蔚縣人民政府 (the people's government of Yu County, Hebei province*) on 16 February 2015 for the investment and development of photovoltaic power projects in 蔚縣 (Yu county) in Hebei province with an expected aggregate installed capacity of 3 GW during 2015 to 2020, of which 200 MW is expected to be developed in 2015 (the "**Yu County Project**"). The actual installed capacity of the Yu County Project is subject to the approval of the relevant government authorities.

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As at the Latest Practicable Date, the Company is in the process of obtaining the registration approval for the Yu County Project. It is expected that the relevant approvals for installed capacity of 50 MW of the Yu County Project could be obtained by end of April 2015. The estimated investment for such 50 MW project is approximately RMB425 million.

Longhua County Project

On 19 March 2015, Greatest Winner entered into a memorandum of understanding with 北京中能和信光電技術有限公司 (Beijing Zhong Neng He Xin Guang Dian Technology Company Limited*) (the “**Longhua County Project Company**”) and its shareholders (the “**Project Owners**”), pursuant to which the parties agreed, among other things, to cooperate in the development of a photovoltaic power project owned by the Longhua County Project Company in 河北省承德市隆化縣步古溝鎮 (Bugou Town, Longhua County, Chengde City, Hebei Province), the PRC with installed capacity of 20 MW (the “**Longhua County Project**”).

As at the Latest Practicable Date, the Longhua County Project has obtained the 固定資產投資項目備案證 (Registration Certificate for Fixed Assets Investment*) issued by Hebei Development and Reform Commission. Pursuant to the memorandum of understanding, Greatest Winner or its designated party shall, among other things, provide funding to the development and construction of the Longhua County Project and the Project Owners agreed to enter into definitive agreements to pledge the equity interest and all machinery and equipment owned by the Longhua County Project Company and the future income of the Longhua County Project to Greatest Winner or its designated party. The parties also agreed to enter into definitive agreement pursuant to which the Project Owners irrecoverably agree to transfer the equity interest of the Longhua County Project Company to Greatest Winner or its designated party upon the completion of the construction of the Longhua County Project. The Company intends to enter into definitive agreements in respect of the Longhua County Project after Completion. The estimated investment cost for the development of the Longhua County Project is approximately RMB170 million. Please refer to the announcement of the Company dated 19 March 2015 for details of the memorandum of understanding regarding the Longhua County Project.

Weishan Project

On 19 March 2015, Greatest Winner entered into a framework agreement with 山東省微山縣人民政府 (the people’s government of Weishan County, Shandong Province) (the “**Weishan Government**”) pursuant to which Greatest Winner intends to invest in and construct photovoltaic power projects in Weishan County, Shandong

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Province, the PRC with expected aggregate capacity of 1.5GW (the “**Weishan Project**”) during 2015 to 2019, of which 100MW to 300MW is expected to be developed in 2015.

Pursuant to the terms of the framework agreement, among other things, the Weishan Government shall provide necessary support and assistance to Greatest Winner in obtaining the relevant approvals, permits and registration for the Weishan Project in accordance with the relevant laws and regulations.

Inner Mongolia Projects

On 19 March 2015, Greatest Winner entered into a memorandum of understanding with 北京萬源工業有限公司 (Beijing Wanyuan Industrial Company Limited*) for a cooperation in the development of photovoltaic power stations in Inner Mongolia with expected aggregate capacity of not less than 700MW (the “**Inner Mongolia Projects**”). Please refer to the announcement of the Company dated 19 March 2015 for details of the memorandum of understanding regarding the Inner Mongolia Projects.

In addition to the above, as disclosed in the letter from the Board in the Circular, the Company is also in discussion with several parties in relation to the development of photovoltaic power projects in various provinces in the PRC. If the Yu County Project and/or the Longhua County Project cannot proceed as planned, the proceeds from the Subscription will be applied to other projects including but not limited to the Weishan Project and the Inner Mongolia Projects.

As mentioned in the paragraphs headed “Projects of the Company” under the section namely “Reasons for and benefits of the Subscription and use of proceeds” in the letter from the Board in the Circular, we note that the Company would require imminent funding of approximately RMB595 million (equivalent to approximately HK\$744 million) during May to October 2015 to complete the Yu County Project and the Longhua County Project. Given (i) the cash and cash equivalents of approximately RMB101.4 million as at 31 December 2014 of the Group; and (ii) that as discussed in the paragraphs above, the Group has kicked start the development of the photovoltaic power business with an estimated initial funding need of around RMB595 million (equivalent to approximately HK\$744 million) to be incurred during May to October 2015, we concur with the Directors that the Company has imminent funding needs for proceeding with the aforesaid construction projects.

As disclosed in the letter from the Board in the Circular, the gross proceeds of the Subscription (a) at Completion are approximately HK\$1,125.7 million and (b) upon the issue of all the New Ordinary Shares and the Preference Shares are approximately HK\$3,752.4 million. The entire net proceeds from the Subscription (i) at Completion, after deduction of all related expenses, of approximately HK\$1,116.0 million and (ii)

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upon the issue of all the New Ordinary Shares and the Preference Shares, after deduction of all related expenses, of approximately HK\$3,742.8 million, are intended to be applied to finance the investments in and/or development of photovoltaic power projects as discussed above. According to the terms of the Subscription, the Subscription Shares will be issued and allotted and, accordingly the proceeds from such issue of the Subscription Shares will be received, in a total of 5 tranches upon Completion and in every six-month intervals following Completion in the amount of approximately HK\$1,125.7 million, HK\$750.5 million, HK\$750.5 million, HK\$750.5 million and HK\$375.2 million respectively. As also mentioned in the letter from the Board in the Circular, based on the current business plan and discussions with the local partners and government, the Group plans to develop grid-connected photovoltaic power plants with aggregate installed capacity of 450MW, 500MW and 550MW and distributed photovoltaic power plants with aggregate installed capacity of 50MW, 100MW and 50MW respectively during each of the first, second and third 12-month period after Completion. With reference to the prevailing development cost of approximately RMB8.5 million per MW for grid-connected photovoltaic power plants and approximately RMB9 million per MW for distributed photovoltaic power plants, it is estimated that the total investment for the projects to be developed by the Company during each of the first, second and third 12-month period after Completion will amount to approximately RMB3,720 million, RMB4,867 million and RMB5,255 million respectively, of which approximately 30% is expected to be funded by internal resources of the Group (mainly from the net proceeds of the Subscription) and the remaining 70% to be financed by bank borrowings. Accordingly, the Company expects that around RMB1,116.0 million, RMB1,460.1 million and RMB1,576.5 million of the required capital during each of the first, second and third 12-month period after Completion will be settled by internal resource of the Group which may substantially come from the net proceed of the Subscription, and the proceeds to be received in tranches under the Subscription could roughly match with the aforesaid schedule of the Group's capital requirements for its photovoltaic power projects for the coming two years.

Nevertheless, Shareholders and investors of the Company should note that, should there be any change in government policies or significant decrease in the prices of traditional energy sources such as oil, coal and natural gas, the prospects of photovoltaic power generation may be materially and adversely affected. The delivery of each project will also depend on a number of factors (including but not limited to government approval and whether external financing can be obtained at reasonable cost and on a timely manner) which may be out of the Group's control. Any failure in the negotiation of cooperation/investment with the local parties or any delay in the development of the projects may have a material impact on the future financial results of the Company. Shareholders are also reminded that whilst the Company will recruit relevant technical personnel with experiences and expertise in the industry to help develop and manage the photovoltaic power projects, there is still no assurance that

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the Group will be able to recruit such adequate technical personnel and/or retain the current members of the Technical Team for the service of the Group in the future. All such risks and uncertainties may or may not adversely affect Company's ability to implement the plan of development of the photovoltaic power projects in a timely manner and accordingly, the financial results and profitability of the Group in the future.

Despite the risks and uncertainties as discussed above, having considered the factors, in particular, (i) as discussed in paragraphs above, the existing business and results of operations and the future prospects of the Group could be vulnerable to any possible adverse changes in the performance and growth of the cigarette industry in the PRC and business diversification is expected to balance such business risk; (ii) the Company has imminent funding needs as the Group has kicked start the development of the photovoltaic power business with an estimated initial funding need of around RMB595 million (equivalent to approximately HK\$744 million) to be incurred during May to October 2015; and (iii) the Subscription represents an opportunity for the Group to raise and secure, in one go, a substantial amount of funds that matches the cashflow schedule of the Group for its investments in, and to bring in expertise for, the Group's business expansion into the photovoltaic power generation business, we concur with the Directors that the entering into of the Subscription is in the interest of the Company and the Shareholders as a whole.

4. Information on the Subscribers and its intention regarding the Group

The First Subscriber is a company incorporated in the British Virgin Islands. It is an investment holding company wholly owned by Beijing Enterprises Water Group Limited, the shares of which are listed on the Main Board of the Stock Exchange under stock code 371. Beijing Enterprises Water Group Limited, through its subsidiaries, is principally engaged in construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC and Malaysia; provision of sewage and reclaimed water treatment services in the PRC and Portugal; distribution and sales of piped water in the PRC and Portugal; the provision of technical and consultancy services that are related to sewage treatment and construction comprehensive renovation projects in the PRC; and the licensing of technical know-how that is related to sewage treatment in the PRC.

The Second Subscriber is a private equity fund with a China focus and comprises two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of the Second Subscriber is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited, a company incorporated in the Cayman Islands.

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The Third Subscriber is a limited partnership established under the laws of the PRC on 15 November 2011. The general partner of the Third Subscriber is 北京宥德投資管理中心(有限合夥)(Beijing Youde Investment Management Center (Limited Partnership)*), a limited partnership registered under the laws of the PRC whose general partner is 上海常瑞投資諮詢有限公司(Shanghai Changrui Investment Consulting Company Limited*), a limited liability company incorporated in the PRC. The Third Subscriber is a China-based private equity fund.

The Fourth Subscriber is a company incorporated in the British Virgin Islands. It is owned by Zhao Kexi, Yu Liguo, Yang Guang and Xie Yingze, each as to 25% of its issued share capital.

The Fourth Subscriber will take up 752,931,940 Ordinary Shares and 1,776,965,020 Preference Shares. The shareholders of the Fourth Subscriber are experienced in business management. The Fourth Subscriber will procure the following parties to subscribe for an aggregate of 3,588,640,230 Ordinary Shares and an aggregate of 8,469,408,210 Preference Shares, namely Zhihua Investments limited, Maolin Investments Limited, Tenson Investment Limited, Bestech (controlled by Wang Ye), Taiping Quantum Prosperity Fund, Reorient Special Situations Partners, LP, Strait Acquisition Fund, L.P., Wenze international Investment Limited, China Alpha II Fund Limited and Global Integrity Alpha Fund Limited. As stated in the letter from the Board in the Circular, none of the parties procured by the Fourth Subscriber will, at Completion, individually hold more than 10% of the issued share capital of the Company as enlarged by the allotment and issue of the New Ordinary Shares. Each of Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited is presumed to be party acting in concert with the First Subscriber under the Takeovers Code.

As disclosed in the letter from the Board in the Circular, to the best of the Directors' knowledge having made all reasonable enquiry, each of the Subscribers and the parties procured by the Fourth Subscriber is independent of the Company and its connected persons. Save as disclosed above, none of the parties procured by the Fourth Subscriber are parties acting in concert with any of the Subscribers.

The First Subscriber, the Second Subscriber and the Third Subscriber intend to maintain the listing of the Ordinary Shares on the Main Board of the Stock Exchange and continue the current business operation of the design, printing and sale of cigarette packages in the PRC of the Group with the present management after Completion. The First Subscriber, the Second Subscriber and the Third Subscriber are in support of the new business to be developed by the Group as described in the section headed "3. Background to and Reasons for the Subscription and the use of proceeds" above. They will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

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Please refer to the section headed “Information on the Subscribers” in the letter from the Board in the Circular for further details of the Subscribers.

5. Financing alternatives available to the Group

We have reviewed whether there are other financing alternatives which were available to the Company other than the Subscription and examined the reasons why they were not adopted.

As disclosed in the letter from the Board in the Circular, the Company has considered other fund raising methods such as rights issue or open offer and debt financing, and considered that the Subscription is more preferable for the following reasons:

- 1) the substantial amount of capital requirement of the photovoltaic power generation business;
- 2) given the Company’s current market capitalisation, it will be difficult for financial institutions to provide facility of up to such substantial amount to the Group and debt financing will inevitably increase financial costs for the Company; and
- 3) in addition to capital requirement, development of photovoltaic power business in the PRC involves identifying suitable locations with favorable solar conditions and government policies for the development of solar projects. The Subscribers, whose business cover a wide range of regions across the PRC, may utilise their relationship with the local governments in the PRC and assist the Company in identifying suitable locations and/or negotiate for more favorable investment terms. The Company and the First Subscriber are exploring the possibility of developing distributed photovoltaic projects on the existing and future sewage water treatment plants owned by Beijing Enterprises Water Group Limited, the holding company of the First Subscriber which, if materialised, might bring synergy value to both parties. A pre-emptive issue such as rights issue or open offer may not be able to bring in strategic investors as Shareholders as in the case of the Subscription.

Having considered that (i) the Company is a newcomer to the solar photovoltaic power industry in the PRC, while the Subscribers will not only provide the substantial funding for the startup of the Group’s solar photovoltaic power business, but also the network and connections for the Group to acquire personnel who equips with relevant technical knowledge and management experience in the solar photovoltaic power industry pursuant to the Cooperation Agreement and to access to the local government when identifying suitable locations and/or negotiate for investment terms, which is crucial for the Group to build the new business in its early stage of development; (ii) it is difficult for the Company to secure facility of such substantial amount from financial institutions at a reasonable financing costs

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given the current market capitalisation of the Company; and (iii) fund raising through rights issue or open offer will attract higher transaction costs (such as underwriting and other fees) and would not be able to bring in strategic investors as Shareholders as in the case of the Subscription, we concur with the Directors' view that the Subscription is an acceptable fund raising plan for the Company.

6. Principal terms of the Subscription Agreement

6.1 Issue of the New Ordinary Shares and the Preference Shares

Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe for or procure subscribers for, and the Company has conditionally agreed to allot and issue (i) the New Ordinary Shares and an aggregate of 113,348,440 Preference Shares at Completion; (ii) an aggregate of 9,499,867,560 Preference Shares on the 183rd day after the Completion Date; (iii) an aggregate of 9,499,867,560 Preference Shares on the first anniversary of the Completion Date; (iv) an aggregate of 9,499,867,560 Preference Shares on the 183rd day after the first anniversary of the Completion Date; and (v) an aggregate of 4,749,933,780 Preference Shares on the second anniversary of the Completion Date at HK\$0.079 each (given that the Share Subdivision has taken place). The consideration for the Preference Shares will be payable on the date of issue of the relevant Preference Shares.

The Ordinary Shares to be issued at Completion represent (i) approximately 441.76% of the Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 81.54% of the Ordinary Shares in issue as at the latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares. Upon conversion of the Preference Shares in full, the Conversion Shares to be allotted and issued will represent (i) approximately 1,042.59% of the Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 65.81% of the Ordinary Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares (assuming that no adjustment to the conversion price is required in accordance with the terms of the Preference Shares and that there is no other change in the number of Ordinary Shares in issue).

Details of the number of the New Ordinary Shares and the Preference Shares to be subscribed for by each of the Subscribers or parties procured by the Subscribers are disclosed under paragraphs namely "Subject matter" in the section headed "The Subscription" in the letter from the Board in the Circular.

The New Ordinary Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

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The New Ordinary Shares and the Conversion Shares will rank *pari passu* in all respects with the Ordinary Shares in issue as at the date of allotment and issue of the New Ordinary Shares and the Conversion Shares respectively.

As stated in the letter from the Board, the issue of a combination of Ordinary Shares and Preference Shares under the Subscription has been agreed by the parties after arm's length negotiation. The Preference Shares will be treated as equity securities in the financial statements of the Company. Although the Company does not have control over when the Preference Shares will be converted into Ordinary Shares, having considered, in particular, the reasons for and the benefits of the Subscription as discussed under the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above, and that the Company is not required to pay any guaranteed or preferential dividend to the holders of the Preference Shares, we concur with the Directors' view that the issue of the Preference Shares is in the interest of the Company and the Shareholders as a whole.

6.2 Principal terms of the Preference Shares

A summary of the principal terms of the Preference Shares is set out below:

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| Dividends: | The Preference Shares shall confer on the holders thereof the right to receive dividend at the same rate as the Ordinary Shares. |
| Return on capital: | Each Preference Share shall have priority in receiving a return of capital up to the Subscription Price on liquidation, winding up or dissolution of the Company and shall then participate in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue. |
| Transferability: | Any Preference Shares shall be freely transferable. |
| Voting: | The holder(s) of the Preference Shares will not be entitled to attend or vote at any general meeting of the Company. |

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- Conversion:
- a) Subject to the minimum public float requirement under Rule 8.08 of the Listing Rules, the Preference Shares shall be convertible into Ordinary Shares by the holder of the Preference Shares serving the conversion notice to the Company on any Business Day within the conversion period, without the payment of any additional consideration therefor, into such number of fully-paid Conversion Shares.
 - b) The Company's obligation to effect conversion of fully paid Preference Shares into Conversion Shares shall be subject to the minimum public float requirement under the Listing Rules being met.
 - c) Conversion of the Preference Shares shall be effected in such manner as the Directors shall, subject to the Articles of Association and to any other applicable law and regulations, from time to time determine without further approval of the Shareholders.
- Conversion period: On any Business Day after the issue date (including the issue date).
- Conversion price: HK\$0.079 per Ordinary Share, subject to adjustments as detailed in the paragraph headed "Conversion adjustment" in the letter from the Board in the Circular
- Redemption: The Preference Shares are non-redeemable.

Details of the adjustments on conversion price of the Preference Shares are also set out under the sub-section headed "Principal terms of the Preference Shares" in the letter from the Board in and Appendix III to the Circular. We have reviewed terms of the Preference Shares (including the conversion adjustments) and are not aware of any terms which are uncommon to normal market practice. Accordingly, we are of the view that the terms of the Preference Shares (including the conversion adjustments) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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6.3 Conditions precedent and other principal terms of the Subscription Agreement

The completion of the transactions contemplated under the Subscription Agreement is subject to the fulfillment of the conditions of the Subscription Agreement, including, amongst others and as further disclosed in the Circular:-

- (i) the passing of resolutions (special resolution or ordinary resolution, as the case may be) by the Shareholders (other than those who are required by the Listing Rules and/or the Takeovers Code to abstain from voting) at the EGM approving, among other things:
 - the execution, consummation and completion of the Subscription Agreement;
 - the Share Capital Resolution;
 - the Specific Mandate;
 - the Whitewash Waiver; and
 - amendment to Articles of Association in respect of, among others, the creation, allotment and issue of the Preference Shares;
- (ii) the Executive having granted to the First Subscriber, the Second Subscriber, the Third Subscriber and parties acting in concert with them the Whitewash Waiver (and such grant not having been revoked or withdrawn) and any necessary conditions prior to Completion, if any, attached to it having been fulfilled; and
- (iii) the listing committee of the Stock Exchange having granted listing of and permission to deal in the New Ordinary Shares and the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;

Please refer to the section headed “Conditions of the Subscription” in the letter from the Board in the Circular for further details of the conditions precedent to the Subscription.

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Other principal terms of the Subscription Agreement are as follows:

Completion

Subject to fulfillment or waiver (as applicable) of the conditions precedent of the Subscription Agreement, Completion shall take place on the eighth Business Day from and excluding the day on which the last of the conditions in paragraphs (2) to (5) and (11) to (13) as set out in the section headed “Conditions of the Subscription” in the letter from the Board in the Circular, has been fulfilled or such other date as the parties to the Subscription Agreement may agree.

Board seats

Subject to Completion, (i) the First Subscriber, the Second Subscriber and the Third Subscriber shall be entitled to nominate three persons to be executive Directors and one person to be independent non-executive Director; (ii) the Fourth Subscriber shall be entitled to nominate one person to be executive Director; and (iii) the Company shall procure the appointment of such persons as Directors with effect from the Completion Date.

Lock-up undertakings

Each of the Subscribers agrees to undertake or procure the subscribers procured by it to undertake to the Company that for the period from the Completion Date to the first anniversary of the Completion Date that without the written consent of the Company, it shall not, and shall procure that its associates or companies controlled by it shall not, offer to sell, transfer, agree to sell or otherwise dispose of (including without limitation the creation of any option, right or warrant or other way to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any charge, guarantee, pledge or encumbrance) the Ordinary Shares acquired by it under the Subscription Agreement and the Ordinary Shares converted from the Preference Shares acquired by it under the Subscription Agreement, enter into any swap, derivative, loan, pledge or other arrangement such that the economic consequences of ownership of any such securities is directly or indirectly transferred, whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, or publicly announce any intention to enter into any such transaction. The above restriction does not apply to any transfer to associates or funds held by a common general partner or managed by a common manager. Each of the Subscribers agrees to procure the relevant transferee(s) of the Preference Shares, after the Preference Shares being converted into Ordinary Shares, to be subject to the above restriction.

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Ocean Ahead, a controlling Shareholder, agrees to undertake to the Company that for the period from the Completion Date to the first anniversary of the Completion Date that without the written consent of the Company, it shall not, and shall procure that its associates or companies controlled by it shall not, offer to sell, transfer, agree to sell or otherwise dispose of (including without limitation the creation of any option, right or warrant or other way to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any charge, guarantee, pledge or Encumbrance) 800,000,000 Ordinary Shares of HK\$0.001 each (on the basis that the Share Subdivision has taken place), enter into any swap, derivative, loan, pledge or other arrangement such that the economic consequences of ownership of any such securities is directly or indirectly transferred, whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, or publicly announce any intention to enter into any such transaction.

Please refer to the section headed “The Subscription” in the letter from the Board of the Circular for more details of the principal terms of the Subscription.

7. Evaluation of the Subscription Price

The subscription price per New Ordinary Share is HK\$0.079 (given that the Share Subdivision has taken place), which is the same as the subscription price per Preference Share. As disclosed in the letter from the Board 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 prevailing market price of the Ordinary Shares, the trading volume of the Ordinary Shares and the unaudited net asset value per Ordinary Share as at 30 June 2014. The Conversion Price per Conversion Share is the same as the Subscription Price.

We have discussed with the Management and are given to understand that the Board has considered, among other things, the possible implications on the Company pursuant to Rule 14.82 of the Listing Rules in the case that the entire proceeds from the Subscription were to be received in full upon Completion, during the negotiation with the Subscribers on the terms of the Subscription. Rule 14.82 of the Listing Rules provides that where for any reason the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Given the entire net proceeds of the Subscription of HK\$3,742.8 million is substantial as compared to the total assets and net assets of the Company as at 31 December 2014 of approximately RMB317.9 million and RMB203.0 million respectively, if the entire proceeds from the Subscription of approximately HK\$3,752.4 million were to be received in full upon Completion, it may render the Company’s assets to consist substantially of cash immediately after Completion which may result in the Company being not suitable for listing pursuant to Rule 14.82 of the Listing Rules. The Subscription which is to be conducted in tranches, therefore, can allow the Company to secure in one go available

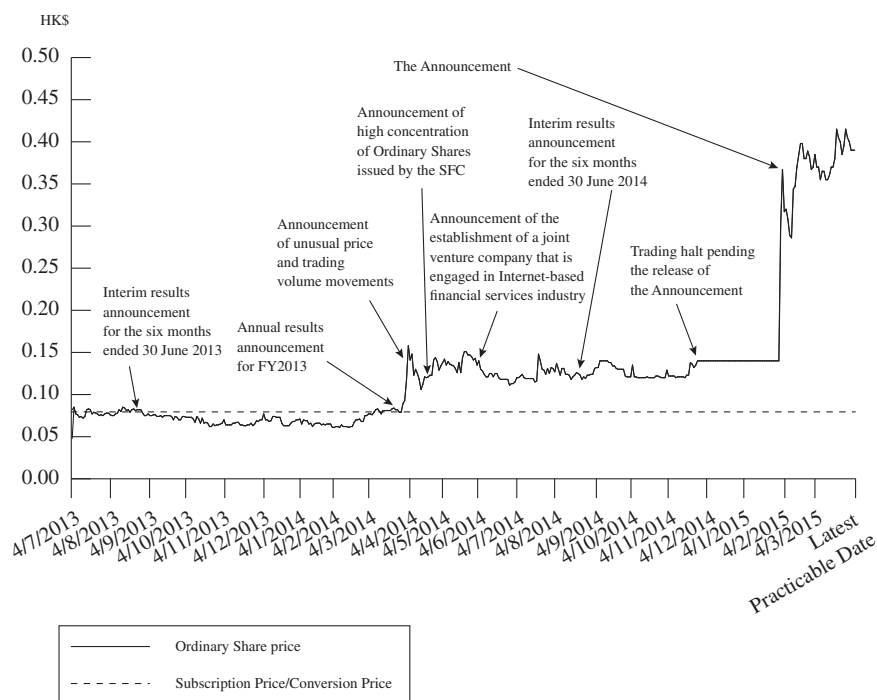
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substantial funding that matches the cashflow schedule of the Group for its investments in and/or development of photovoltaic power projects in the upcoming two years, whilst to comply with the Listing Rules requirements.

Having taken into account that, in particular, (i) as detailed in the section headed “Principal terms of the Preference Shares” above, save and except for certain characteristics including but not limited to the absence of voting rights and the priority in receiving return in the cases of liquidation, winding up or dissolution of the Company, the Preference Shares to be issued under the Subscription are considered largely resembling the Ordinary Shares; and (ii) the Subscription can allow the Company to secure in one go the necessary substantial funding for the upcoming two years while in compliance with the Listing Rules requirements, we consider the subscription price of the Preference Shares being set at the same price as the subscription price of the New Ordinary Shares to be reasonable and commercially acceptable.

7.1 Historical price performance of the Ordinary Shares

Set out below is a chart reflecting movements in the closing prices of the Ordinary Shares (as adjusted by the Share Subdivision) from 5 July 2013 (being the listing date of the Ordinary Shares on the Main Board of the Stock Exchange, the “**Listing date**”) up to and including the Latest Practicable Date, which represented a sufficient period of time to provide a general overview on the recent market performance of the Ordinary Shares) (the “**Review Period**”):



Source: Website of the Stock Exchange

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The share price chart of the Ordinary Shares above has been adjusted with effect of the Share Subdivision. From the chart above, the closing prices of the Ordinary Shares ranged from HK\$0.061 to HK\$0.158 per Ordinary Share during the period from 5 July 2013 to 26 November 2014 (being the Last Trading Day prior to the suspension of trading in the Ordinary Shares pending the publication of the Announcement) (both dates inclusive, the “**Pre-Announcement Period**”), with an average of HK\$0.098 per Share.

The Company was listed on the Main Board of the Stock Exchange on 5 July 2013, and the Ordinary Share price closed at HK\$0.085 per Ordinary Share on the Listing Date. Shortly after the Listing Date, the closing price of the Ordinary Shares showed a gradual downward trend and dropped to its trough of around HK\$0.061 per Ordinary Share in February 2014. Since early March 2014, the Ordinary Share price started to rebound and shortly after the announcement of the Company’s 2013 annual results which reported a decline in profit after market close on 28 March 2014, the closing price of the Ordinary Shares surged from HK\$0.79 per Share as at 28 March 2014 to HK\$0.158 per Ordinary Share as at 3 April 2014. On 3 April 2014, after trading hours, the Company announced that the Board was not aware of any reasons for the increase in Ordinary Share price. During the period between 4 April 2014 and the Last Trading Day, the Ordinary Shares were traded in the range between HK\$0.106 and HK\$0.151 each, with an average of HK\$0.127 per Ordinary Share.

Following the release of the Announcement and the resumption of trading in Ordinary Shares on 3 February 2015, the closing price per Ordinary Share surged from HK\$0.140 on the Last Trading Day to HK\$0.300 on 3 February 2015. The Ordinary Share price further went up and peaked at HK\$0.415 on 20 March 2015 and 27 March 2015. Since then, the Ordinary Share price fluctuated slightly and closed at HK\$0.390 on the Latest Practicable Date. The Ordinary Share closing price surged significantly after the publication of the Announcement, which might be related to market expectations of the benefits that will be brought to the Group as a result of the Subscription. There is no assurance that the closing price of the Ordinary Shares will remain at such a high level if the Subscription does not proceed or cannot be completed for any reason.

The Subscription Price of HK\$0.079 per Subscription Share (given that the Share Subdivision has taken place):

- (i) represents a discount of approximately 79.74% to the last trading price of HK\$0.390 per Ordinary Share as quoted on the Main Board of the Stock Exchange on 8 April 2015, being the Latest Practicable Date;

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- (ii) represents a discount of approximately 43.57% to the last trading price (before suspension) of HK\$0.140 per Ordinary Share (as adjusted by the Share Subdivision) as quoted on the Main Board of the Stock Exchange on 26 November 2014, being the Last Trading Day;
- (iii) represents a discount of approximately 41.91% to the average closing price of approximately HK\$0.136 per Ordinary Share (as adjusted by the Share Subdivision) for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) represents a discount of approximately 38.76% to the average closing price of approximately HK\$0.129 per Ordinary Share (as adjusted by the Share Subdivision) for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) is equal to the audited net asset value per Ordinary Share of approximately RMB0.063 per Ordinary Share (equivalent to approximately HK\$0.079 per Ordinary Share based on the exchange rate of RMB1.00 to HK\$1.25) as at 31 December 2014 based on the 2014 AR Announcement and the number of Ordinary Shares in issue (i.e. 3,200,000,000 Ordinary Shares) as at the Latest Practicable Date.

7.2 Comparison with recent subscription/placement/issue of new shares and/or convertible securities exercises

We have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) (i) which announced subscriptions or placements or issues of new shares and/or convertible securities for cash by/to new incoming investor(s) (which did not hold any equity interests in such listed companies prior to such subscriptions/placements/issues) with the application of whitewash waiver during the period from 27 November 2013 (being the date 1 year prior to the Last Trading Day) up to and including the Latest Practicable Date; and (ii) such whitewash waiver application(s) had been approved. On such basis, we have identified 8 subscriptions/placements/issues of shares and/or convertible securities for cash with the application of whitewash waiver (“**Comparable Share Issues**”) which we consider an exhaustive list of relevant comparable subscriptions/placements/issues of new shares based on the said criteria above. It should be noted that all the subject companies involved in the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. Circumstances leading to the subject companies to proceed with the subscription/placement/issue may also be different from that of the Company. However, as the Comparable Share Issues fulfill the above criteria with similar deal structures to the

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Subscription, and can provide a general reference of this type of transaction in Hong Kong equity capital market, we consider them to be one of the appropriate basis to assess the fairness of the Subscription Price.

Date of announcement	Name of the issuer	Issue price (HK\$)	Premium/ (Discount) of the issue price/ subscription price/ conversion price over/to the average closing price over the last 5 consecutive trading days up to and including the price on last trading day (%)	Premium/ (Discount) of the issue price/ subscription price/ conversion price over/to the average closing price over the last 5 consecutive trading days up to and including the price on last trading day (%)	Premium/ (Discount) of the issue price/ subscription price/ conversion price over/to the average closing price over the last 10 consecutive trading days up to and including the price on last trading day (%)	Issue size of the placing/ subscription (HK\$ million)
				(%)	(%)	
23-Jan-14	CITIC 21CN Company Limited (Stock code: 241)	0.30	(63.9)	(61.8)	(61.2)	1,327
13-Feb-14	Same Time Holdings Limited (Stock code: 451)	4.00	(70.4)	(68.1)	(65.4)	1,440
11-Mar-14	ChinaVision Media Group Limited (Stock code: 1060)	0.50	(20.6)	(21.9)	(16.6)	12,488
25-Mar-14	Neo-Neon Holdings Limited (Stock code: 1868)	0.90	(50.0)	(50.0)	(50.5)	900
10-Jun-14	Kong Sun Holdings Limited (Stock code: 295)	0.36	(1.4)	(59.2)	(58.9)	2,350
13-Jun-14	Climax International Company Limited (Stock code: 439)	0.08	(76.1)	(74.9)	(75.2)	348
4-Sep-14	China Financial international Investments Limited (Stock code: 721)	0.2	(66.7)	(65.4)	(36.1)	2,468
10-Oct-14	Changfeng Axle (China) Company Limited (Stock code: 1039)	0.33	(29.0)	(23.3)	(21.4)	203
		average	(47.3)	(53.1)	(48.2)	
		minimum	(76.1)	(74.9)	(75.2)	
		maximum	(1.4)	(21.9)	(16.6)	
	The Subscription	0.079	(43.6)	(41.9)	(38.8)	

Source: Website of the Stock Exchange

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As shown in the above table, the subscription/placing/issue prices of the Comparable Share Issues ranged from (i) a discount of approximately 1.4% to 76.1% to the respective closing prices of their shares on their respective last trading day(s) (“**Share Last Trading Day**”) prior to the release of the relevant announcement(s) in relation to such subscription/placement/issue or the relevant agreement date(s) relating to the respective subscription/placement/issue, with an average discount of approximately 47.3%; (ii) a discount of approximately 21.9% to 74.9% to the respective average closing prices of their shares over the last 5 consecutive trading days up to and including the Share Last Trading Day, with an average discount of approximately 53.1%; and (iii) a discount of approximately 16.6% to 75.2% to the respective average closing prices of their shares over the last 10 consecutive trading days up to and including the Share Last Trading Day, with an average discount of approximately 48.2%. The discounts of the Subscription Price to (i) the closing price of the Ordinary Share on the Last Trading Day of around 43.6% is lower than the average discount of the subscription/placing/issue prices of the Comparable Share Issues to their respective closing price(s) on their respective Share Last Trading Day; and (ii) the average closing price of the Ordinary Share for the last 5 and 10 consecutive trading days of 41.9% and 38.8% are both lower than the respective average discount of the subscription/placing/issue prices of the Comparable Share Issues to their respective average closing price(s) for their respective last 5 and 10 consecutive trading days, which are considered favourable to the Company.

7.3 Comparison with peer companies

As discussed above, revenue generated from design, printing and sale of cigarette packages in the PRC has been the main source of income which represented the entirety of the total revenue of the Group during the Period. Therefore, we have identified 3 companies (the “**Comparable Companies**”) which (i) are listed on the Mainboard of the Stock Exchange; (ii) are principally engaged in the design and/or printing and/or sale of cigarette packages in the PRC, and not less than 80% of revenue was derived from such business activities in the latest financial year as set out in their respective published annual results announcement; and (iii) were profit-making for the latest financial year as set out in their respective published annual results announcement. We consider the Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above.

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The table below illustrates the level of price-to-earnings ratio (“**P/E Ratio(s)**”) and price-to-book ratio (“**P/B Ratio(s)**”) of each of the Comparable Companies and the Company.

Company	Closing share price on the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (HK\$' million) (note 1)	Latest earnings (HK\$' million) (note 2)	Net asset value attributable to equity holders (HK\$' million) (note 3)	P/E Ratio (times) (note 2)	P/B Ratio (times) (note 3)
Jai Yao Holdings Limited (Stock code: 1626)	1.27	381.0	9.2	282.8	41.6	1.3
Brilliant Circle Holdings International Limited (Stock code: 1008)	1.48	2,202.9	453.7	2,968.9	4.9	0.7
AMVIG Holdings Limited (Stock code: 2300)	3.78	3,483.4	361.6	3,707.9	9.6	0.9
				Average	18.7	1.0
				Minimum	4.9	0.7
				Maximum	41.6	1.3
The Company	0.079	252.8	28.7	253.7	8.8	1.0
	<i>(note 4)</i>	<i>(note 5)</i>	<i>(note 6)</i>	<i>(note 7)</i>	<i>(note 8)</i>	<i>(note 9)</i>

Source: Website of the Stock Exchange

Notes:

- 1) The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share price and number of issued shares as at the Latest Practicable Date. The audited consolidated net asset value attributable to owners are extracted from the latest annual results announcements of the Comparable Companies and audited profits attributable to owners are extracted from the latest annual results announcements of the Comparable Companies.
- 2) The historical P/E Ratio of the Comparable Companies is calculated based on their latest audited consolidated profits attributable to owners and their market capitalisations as at the Latest Practicable Date.
- 3) The historical P/B Ratio of the Comparable Companies is calculated based on their latest audited consolidated net asset value attributable to owners and their market capitalisations as at the Latest Practicable Date.

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- 4) Being the Subscription Price of HK\$0.079 per Subscription Share, which is the same as the Conversion Price per Conversion Share.
- 5) Theoretical market capitalisation of the Company being the sum of the Subscription Price times 3,200,000,000 Ordinary Shares in issue as at the Latest Practicable Date.
- 6) Being the earnings attributable to owners of the Company for the year ended 31 December 2014 which is extracted from the 2014 AR Announcement.
- 7) Being the consolidated net asset value attributable to owners of the Company as at 31 December 2014 which is extracted from the 2014 AR Announcement.
- 8) The P/E Ratio of the Company is calculated based on (i) its theoretical market capitalisation; and (ii) the earnings attributable to owners of the Company for the year ended 31 December 2014.
- 9) The P/B of the Company is calculated based on (i) its theoretical market capitalisation; and (ii) consolidated net asset value attributable to owners of the Company as at 31 December 2014.
- 10) For the purpose of this table, the translation of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25 for the purpose of illustration only.

P/E Ratio comparison

As shown in the above table, the historical P/E Ratios of the Comparable Companies ranged from approximately 4.9 times to 41.6 times, with an average of approximately 18.7 times. The P/E Ratio of the Company based on its market capitalisation represented by the Subscription Price is approximately 8.8 times, which is lower than the average of the P/E Ratios of the Comparable Companies, but still within the range of the P/E Ratios of the Comparable Companies and is therefore, in line with the market.

Among the Comparable Companies, Jai Yao Holdings Limited (“**Jai Yao**”) recorded a substantial decrease in profit attributable to owners by around 79.4% from approximately RMB35.4 million for the year ended 31 December 2013 to approximately RMB7,321,000 for the year ended 31 December 2014. Such decrease was due to, among other things, the recognition of the expenses of approximately RMB19.6 million in relation to the listing of the shares of Jai Yao on the Main Board of the Stock Exchange that were primarily professional fees in connection with the listing. Whilst substantial part of such listing expenses of Jai Yao was one-off in nature, we have also consider the adjusted P/E Ratio of Jai Yao of approximately 11.3 times represented by the closing price of Jai Yao’s share as at the Latest Practicable Date based on its earnings for the year ended 31 December 2014 after adjusted for the aforesaid listing expenses. We note that the historical P/E Ratios of the Comparable Companies after taking into account the aforesaid adjusted P/E Ratio of Jai Yao ranged from approximately 4.9 times to 11.3 times, with an average of approximately 8.6 times. The P/E Ratio of the Company based on its market capitalisation represented by the Subscription Price is approximately 8.8 times, which is higher than such average of the P/E Ratios of the Comparable Companies, and is considered favourable.

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P/B Ratio comparison

As at the Latest Practicable Date, the historical P/B Ratios of the Comparable Companies ranged from 0.7 times to 1.3 times with an average of 1.0 times. The P/B Ratio represented by the Subscription Price over the audited net asset value per share attributable to owners of the Company as at 31 December 2014 of approximately 1.0 times is the same as the average of the P/B Ratios of the Comparable Companies.

Although the Subscription Price of HK\$0.079 per Subscription Share (given that the Share Subdivision has taken place) represents discounts to (i) the average closing price of the Ordinary Shares of around HK\$0.098 each during the Pre-Announcement Period, and (ii) closing price of the Ordinary Shares of HK\$0.140 each as at Last Trading Day, however, attention is drawn to the Shareholders that,

- (i) the discounts represented by the Subscription Price to the prevailing Ordinary Share prices are less than the average discounts of the Comparable Share issues as detailed in the section headed “Comparison with recent subscription/placement/issue of new shares and/or convertible securities exercises” above;
- (ii) the Subscription Price is equal to the net asset value per Ordinary Share attributable to owners of the Company of around HK\$0.079 as at 31 December 2014;
- (iii) the P/E Ratio and P/B Ratio of the Company represented by the Subscription Price are in line with the P/E Ratios and P/B Ratios of the Comparable Companies respectively; and
- (iv) the reasons for and the benefits of the Subscription as discussed under the section headed “3. Background to and reasons for the Subscription and the use of proceeds” including, in particular, that the Company has imminent funding needs as the Group has kicked start the development of the photovoltaic power business with an estimated initial funding need of around RMB595 million (equivalent to approximately HK\$744 million) to be incurred during May to October 2015, and that the Subscription represents an opportunity for the Group to raise and secure, in one go, a substantial amount of funds that matches the cashflow schedule of the Group for its investments in, and to bring in expertise for, the Group’s business expansion into the photovoltaic power generation business.

On the above basis, we are of the view that the discount represented by the Subscription Price to the prevailing closing price of the Ordinary Shares is commercially acceptable and justifiable, and the terms of the Subscription

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Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned and interest of the Company and the Shareholders as a whole.

8. Effect on the shareholding structure of the Company

The table below sets out the effect of the Subscription on the shareholding structure of the Company immediately upon (i) Completion; and (ii) conversion of each tranche of the Preference Shares in full, assuming that no Ordinary Shares will be allotted and issued between the Latest Practicable Date and the date on which all the Preference Shares have been fully converted.

	As at the Latest Practicable Date		Immediately after the allotment and issue of the New Ordinary Shares and before conversion of any Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares and the Tranche A Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares, the Tranche A Preference Shares and Tranche B Preference Shares		Immediately after Completion and conversion in full of the Completion Tranche Preference Shares, the Tranche A Preference Shares, Tranche B Preference Shares and Tranche C Preference Shares		Immediately after Completion and conversion in full of all the Preference Shares	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Ocean Ahead (Note (1))	2,400,000,000	75.00	2,400,000,000	13.84	2,400,000,000	13.75	2,400,000,000	8.91	2,400,000,000	6.58	2,400,000,000	5.22	2,400,000,000	4.73
The Concert Group (other than Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited)														
The First Subscriber	-	-	5,274,166,550	30.42	5,316,455,700	30.47	8,860,759,500	32.88	12,405,063,300	34.03	15,949,367,100	34.71	17,721,519,000	34.95
The Second Subscriber	-	-	2,260,357,100	13.04	2,278,481,020	13.06	3,797,468,360	14.09	5,316,455,700	14.59	6,835,443,040	14.88	7,594,936,710	14.98
The Third Subscriber	-	-	2,260,357,090	13.04	2,278,481,010	13.06	3,797,468,350	14.09	5,316,455,690	14.59	6,835,443,030	14.88	7,594,936,700	14.98
Subtotal of the Concert Group (other than Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited)	-	-	9,794,880,740	56.50	9,873,417,730	56.58	16,455,696,210	61.06	23,037,974,690	63.21	29,620,253,170	64.46	32,911,392,410	64.91
Subtotal of the Concert Group (including Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited below)	-	-	11,257,098,740	64.93	11,347,360,030	65.03	18,912,266,730	70.18	26,477,173,410	72.64	34,042,080,090	74.09	37,824,533,440	74.61
Other Shareholders														
The Fourth Subscriber	-	-	752,931,940	4.34	758,969,080	4.35	1,264,948,460	4.69	1,770,927,860	4.86	2,276,907,260	4.96	2,529,896,960	4.99
Parties procured by the Fourth Subscriber														
Zhihua Investments Limited	-	-	595,227,370	3.43	600,000,000	3.44	1,000,000,000	3.71	1,400,000,000	3.84	1,800,000,000	3.92	2,000,000,000	3.94
Maolin Investments Limited	-	-	391,976,590	2.26	395,119,520	2.26	658,532,550	2.44	921,945,560	2.53	1,185,358,570	2.58	1,317,065,080	2.60
Taiping Quantum Prosperity Fund	-	-	545,499,510	3.15	549,873,420	3.15	916,455,700	3.40	1,283,037,980	3.52	1,649,620,260	3.59	1,832,911,400	3.62
Wenze International Investment Limited	-	-	543,525,090	3.14	547,883,160	3.14	913,138,600	3.39	1,278,394,040	3.51	1,643,649,480	3.58	1,826,277,200	3.60
Tenson Investment Limited	-	-	475,014,040	2.74	478,822,780	2.74	798,037,970	2.96	1,117,253,160	3.07	1,436,468,350	3.13	1,596,075,950	3.15
Reorient Special Situation Partners, LP	-	-	385,529,460	2.22	388,620,700	2.23	647,701,170	2.40	906,781,640	2.49	1,165,862,110	2.54	1,295,402,340	2.56
Strait Acquisition Fund, L.P.	-	-	376,726,200	2.17	379,746,850	2.18	632,911,400	2.35	886,075,950	2.43	1,139,240,500	2.48	1,265,822,770	2.50
Bestech	-	-	237,469,350	1.37	239,373,420	1.37	398,955,700	1.48	558,537,980	1.53	718,120,260	1.56	797,911,400	1.57
China Alpha II Fund Limited	-	-	18,836,310	0.11	18,987,350	0.11	31,645,570	0.12	44,303,810	0.12	56,962,030	0.12	63,291,150	0.12
Global Integrity Alpha Fund Limited	-	-	18,836,310	0.11	18,987,340	0.11	31,645,580	0.12	44,303,800	0.12	56,962,040	0.12	63,291,150	0.12
Existing Shareholders (other than Ocean Ahead)	800,000,000	25.00	800,000,000	4.61	800,000,000	4.58	800,000,000	2.97	800,000,000	2.19	800,000,000	1.74	800,000,000	1.58
Subtotal	800,000,000	25.00	5,141,572,170	29.66	5,176,383,620	29.66	8,093,972,700	30.03	11,011,561,780	30.21	13,929,150,860	30.31	15,387,945,400	30.35
Total	3,200,000,000	100.00	17,336,452,910	100.00	17,449,801,350	100.00	26,949,668,910	100.00	36,449,536,470	100.00	45,949,404,030	100.00	50,699,337,810	100.00

Note:

- (1) The 2,400,000,000 Ordinary Shares are beneficially owned by Ocean Ahead, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Li, a Director.

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As shown in the table above, the shareholding in the Company held by existing Shareholders (other than Ocean Ahead) would be diluted from 25.0% as at the Latest Practicable Date to (i) approximately 4.61% upon the allotment and issue of the New Ordinary Shares or (ii) approximately 1.58% upon Completion, the issuance of all New Ordinary Shares and Preference Shares and the full conversion of the Preference Shares in Ordinary Shares.

However, taking into account (i) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding and solid shareholders for the Group's expansion into new photovoltaic energy business as discussed in details under the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above; (ii) that as discussed in the section headed "6. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the positive market reaction in view of the recent surge of the closing price of the Ordinary Share following the publication of the Announcement which is beneficial to all Shareholders, we are of the view that the dilution effect on the shareholding of existing Shareholders (other than Ocean Ahead) in the Company is acceptable so far as the Independent Shareholders are concerned.

9. Financial impact of the Subscription

Working capital

The Group had cash and cash equivalents of approximately RMB101.4 million (equivalent to HK\$126.8 million) as at 31 December 2014. According to the 2014 AR Announcement, the audited current assets and current liabilities of the Group were approximately RMB223.8 million and RMB111.4 million respectively as at 31 December 2014, resulting in a current ratio (defined as current assets divided by current liabilities) of approximately 2.01 times and net current assets of approximately RMB112.4 million (equivalent to approximately HK\$140.5 million). Given that the Subscription will bring in new capital (before expenses) of (i) approximately HK\$1,125.7 million upon Completion; (ii) approximately HK\$750.5 million upon the issue of the Tranche A Preference Shares on the 183rd day after the Completion Date; (iii) approximately HK\$750.5 million upon the issue of the Tranche B Preference Shares on the first anniversary of the Completion Date; (iv) approximately HK\$750.5 million upon the issue of the Tranche C Preference Shares on the 183rd day after the first anniversary of the Completion Date; and (v) approximately HK\$375.2 million upon the issue of the Tranche D Preference Shares on the second anniversary of the Completion Date, it is expected that both the cash position and the current assets position of the Group will be further enhanced at the aforesaid relevant times.

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Net asset value

As advised by the Directors, the Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds received under the relevant tranche of the Subscription; and (ii) an increase by the amount equivalent to the gross proceeds from the issue of such tranche of the Subscription Shares in the share capital and share premium of the Company.

As set out in the 2014 AR Announcement, the audited consolidated net assets attributable to the owners of the Company was approximately RMB203.0 million (equivalent to approximately HK\$253.8 million) as at 31 December 2014 or HK\$0.079 per Ordinary Share based on the total number of issued Ordinary Shares of 3,200,000,000 as at the Latest Practicable Date. Upon issuance of all the New Ordinary Shares and the Completion Tranche Preference Shares pursuant to the Subscription Agreement at Completion, 14,136,452,910 new Ordinary Shares and 113,348,440 new Preference Shares will be issued by the Company. As advised by the Company, the full amount of the New Ordinary Shares and the Completion Tranche Preference Shares, will be recognised as equity under the captions of share capital and share premium upon their issuance, and, accordingly, the consolidated net assets attributable to the owners of the Company is expected to be improved roughly by the same amount of the aggregate net proceeds of approximately HK\$1,116.0 million received thereunder. Based on the audited consolidated net assets attributable to the owners of the Company of approximately RMB203.0 million (equivalent to approximately HK\$253.8 million) as at 31 December 2014, the consolidated net assets attributable to the owners of the Company following the issuance of all the New Ordinary Shares and the Completion Tranche Preference Shares upon Completion is expected to become approximately HK\$1,369.8 million, or approximately HK\$0.0785 per Ordinary Shares on a fully diluted basis based on the total 17,449,801,350 issued Ordinary Shares as enlarged by the issue of the New Ordinary Shares and the Completion Tranche Preference Shares and full conversion of the Completion Tranche Preference Shares at the initial conversion price. The consolidated net assets attributable to the owners of the Company following Completion of approximately HK\$0.0785 per Ordinary Shares represents a slight decrease from the consolidated net assets per Ordinary Share attributable to the owner of the Company of approximately HK\$0.079 each as at 31 December 2014. As illustrated above, it is expected that there would be a dilutive effect on the net assets value per Ordinary Share as a result of the issue of Preference Shares. However, taking into account that (i) the expected dilutive effect is immaterial; (ii) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding and solid shareholders for the Group's expansion into new photovoltaic energy business as discussed in details under the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above; and (iii) as discussed in the section headed "7. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the

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Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilutive effect on the net assets value per Ordinary Share as a result of the issue of the New Ordinary Shares and Preference Shares is commercially justifiable.

Shareholders should note that since the Tranche A Preference Shares, the Tranche B Preference Shares, the Tranche C Preference Shares and the Tranche D Preference Shares will only be issued respectively on the 183rd day after the Completion Date, the first anniversary of the Completion Date, the 183rd day after the first anniversary of the Completion Date and the second anniversary of the Completion Date, there may or may not be enhancement on the consolidated net assets per Ordinary Share which will be dependent on, among other things, the then financial position of the Group and extent of conversion of the Preference Shares.

Earnings

It is advised by the Company that the Subscription would not have material adverse effect to the earnings of the Group immediately upon Completion.

Based on the audited profit attributable to owners of the Company for the year 31 December 2014 of approximately RMB22.9 million and the total number of issued Ordinary Shares of 3,200,000,000 as at the Latest Practicable Date, earnings per Ordinary Share was around RMB0.0072 per Ordinary Share. Immediately upon the issue of the New Ordinary Shares and the full conversion of the Completion Tranche Preference Shares, earnings per Ordinary Share is expected to be diluted to approximately RMB0.0013 per Ordinary Share. However, taking into account (i) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding and solid shareholders for the Group's expansion into new photovoltaic energy business as discussed in details under the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above; and (ii) that as discussed in the section headed "7. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilution effect on earnings per Ordinary Share is acceptable so far as the Independent Shareholders are concerned.

Shareholders should note that since the Tranche A Preference Shares, the Tranche B Preference Shares, the Tranche C Preference Shares and the Tranche D Preference Shares will only be issued respectively on the 183rd day after the Completion Date, the first anniversary of the Completion Date, the 183rd day after the first anniversary of the Completion Date and the second anniversary of the Completion Date, there may or may not be dilution to earnings per Ordinary Share which will be dependent on, among other things, the then profitability of the Group which may depend on, among

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other things, the Company's ability to implement the plan of development of the photovoltaic power projects in a timely manner, and extent of conversion of the Preference Shares.

Gearing ratio

The gearing ratio of the Group is measured as total interest-bearing bank and other borrowings and guaranteed bonds over the total assets of the Group. As advised by the Directors, it is expected that upon the issue of each tranche of Subscription Shares under the Subscription, the Group's total assets will increase by the amount of the net proceeds received thereunder while the Group's liabilities will not be affected. Accordingly, it is expected that the gearing ratio of the Group would be improved immediately upon the issue of each tranche of the Subscription Shares under the Subscription.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon Completion and the issuance of the relevant tranches of the Subscription Shares pursuant to the Subscription.

10. The Whitewash Waiver

As provided in the letter from the Board, the First Subscriber, the Second Subscriber and the Third Subscriber are parties acting in concert with respect to the Company.

Upon Completion, the Concert Group will be interested in Ordinary Shares, representing approximately 64.93% of the issued Ordinary Shares as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares. Upon full conversion of the Preference Shares held by the Concert Group, they will in aggregate be interested in Ordinary Shares representing approximately 74.61% of the Ordinary Shares in issue as at the Latest Practicable Date as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares. Accordingly, under Rule 26.1 of the Takeovers Code, the First Subscriber, the Second Subscriber and the Third Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Concert Group as a result of the subscription of the New Ordinary Shares, unless the Whitewash Waiver is obtained from the Executive. The First Subscriber, the Second Subscriber and the Third Subscriber have made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the New Ordinary Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

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We note that the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are part of the conditions precedent for the Subscription Agreement which are not waivable. If the Whitewash Waiver is not granted on or before the Long Stop Date, the Subscription Agreement shall cease to be of any effect and the Subscription will not proceed. The Company would then lose all the benefits that are expected to be brought to the Group by the Subscription.

Taking into account (i) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding and solid shareholders for the Group's expansion into new photovoltaic energy business as discussed in details under the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above; (ii) that as discussed under the section headed "7. Evaluation of the Subscription Price" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the positive market reaction in view of the recent surge of the closing price of the Ordinary Share following the publication of the Announcement which is beneficial to all Shareholders, we consider the granting of the Whitewash Waiver to be fair and reasonable so far as the Independent Shareholders are concerned.

DISCUSSION AND ANALYSIS

The Subscription

Despite that (i) the significant dilution effect of the Subscription as discussed in the section headed "8. Effect on the shareholding structure of the Company" above; and (ii) the uncertainties and risks associated to the development of the new business as discussed in the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above, we consider that the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned after taking into account all the principal factors and reasons as discussed in our letter, in particular:

- a) as discussed in the section headed "3. Background to and reasons for the Subscription and the use of proceeds" above, (i) the business and results of operations and the future prospects of the Group could be vulnerable to any possible adverse changes in the performance and growth of the cigarette industry in the PRC; and (ii) the Subscription represents an opportunity for the Group to raise a substantial amount of funds and to bring in expertise for the Group's business expansion into the photovoltaic power generation business;
- b) not only the Subscription will raise additional capital for the Company's business and development, it can also align the interests of the Subscribers with those of the Company and its Shareholders by allowing the Subscribers to take up substantial equity interests in the Company through the Subscription;

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- c) as mentioned in details in the section headed “3. Background to and reasons for the Subscription and the use of proceeds” above, the Company has imminent funding need to proceed with the aforesaid photovoltaic power projects;
- d) as discussed in details in the section headed “5. Financing alternatives available to the Group” above, the Subscription is an acceptable fund raising plan for the Company among the aforesaid financing alternatives;
- e) as discussed in details in the section headed “7. Evaluation of the Subscription Price” above, the Subscription can allow the Company to secure in one go the necessary substantial funding for the upcoming two years while in compliance with the Listing Rules requirements; and
- f) as also discussed under the section headed “7. Evaluation of the Subscription Price” above, despite of the discounts represented by the Subscription Price to the prevailing closing prices of the Ordinary Shares, the Subscription Price however is equal to the net asset value per Ordinary Share attributable to owners of the Company of around HK\$0.079 as at 31 December 2014, and the P/E Ratio and P/B Ratio of the Company represented by the Subscription Price are in line with the P/E Ratios and P/B Ratios of the Comparable Companies respectively.

The Whitewash Waiver

As stated in the letter from the Board in the Circular, the condition precedent relating to the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are not waivable by any party to the Subscription Agreement. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

Having considered the benefits of the Subscription, in particular, (i) the introduction of the substantial funding and the Subscribers for the Group’s diversification into photovoltaic power business, (ii) the fairness and reasonableness of the terms of the Subscription Agreement (including the Subscription Price); and (iii) the obtaining of the Whitewash Waiver being an essential elements for the Subscription, the granting of the Whitewash Waiver is therefore considered fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

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OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we consider that (i) the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Subscription and the Whitewash Waiver at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated results and financial information of the Group for each of the years ended 31 December 2012, 2013 and 2014, as extracted from the published financial statements of the Company for the relevant periods.

	For the year ended 31 December		
	2012	2013	2014
	(Audited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>
Revenue	183,347	171,779	166,516
Cost of sales	<u>(116,274)</u>	<u>(104,655)</u>	<u>(104,185)</u>
Gross profit	67,073	67,124	62,331
Other income and gains	225	1,163	416
Selling and distribution expenses	(3,098)	(3,997)	(4,050)
Administrative expenses	(9,858)	(15,622)	(20,284)
Listing expenses	(2,184)	(10,443)	–
Finance costs	<u>(1,397)</u>	<u>(1,975)</u>	<u>(1,889)</u>
Profit before taxation	50,761	36,250	36,524
Taxation	<u>(15,203)</u>	<u>(15,001)</u>	<u>(13,594)</u>
Profit and total comprehensive income for the year	<u><u>35,558</u></u>	<u><u>21,249</u></u>	<u><u>22,930</u></u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company	31,005	21,249	22,930
Non-controlling interests	<u>4,553</u>	<u>–</u>	<u>–</u>
	<u><u>35,558</u></u>	<u><u>21,249</u></u>	<u><u>22,930</u></u>
Earnings per Ordinary Share			
– Basic (<i>RMB</i>)	0.13	0.08	0.07
Dividends paid (<i>RMB'000</i>)	37,776	771	15,168
Dividends paid per Ordinary Share (<i>RMB</i>)	0.157 <i>(note)</i>	0.003 <i>(note)</i>	0.0474 <i>(note)</i>

	As at 31 December		
	2012	2013	2014
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	228,512	307,861	317,940
Total liabilities	<u>108,849</u>	<u>112,625</u>	<u>114,942</u>
Total equity	<u>119,663</u>	<u>195,236</u>	<u>202,998</u>

Note:

Based on the weighted average number of Ordinary Shares disclosed in the published financial statements

The auditor of the Company did not issue any qualified opinion on the financial statements of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the Company had no items which are exceptional because of size, nature or incidence for each of the years ended 31 December 2012, 2013 and 2014.

2. LATEST PUBLISHED FINANCIAL INFORMATION

The followings are the consolidated results and financial information of the Company for the two years ended 31 December 2014 and 2013 as extracted from the annual results announcement of the Company for the year ended 31 December 2014 and the annual report of the Company for the year ended 31 December 2013 respectively.

(A) Audited consolidated financial statements 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>RMB'000</i>	2013 <i>RMB'000</i>
Revenue	3	166,516	171,779
Cost of sales		<u>(104,185)</u>	<u>(104,655)</u>
Gross profit		62,331	67,124
Other income and gains		416	1,163
Selling and distribution expenses		(4,050)	(3,997)
Administrative expenses		(20,284)	(15,622)
Listing expenses		–	(10,443)
Finance costs	4	<u>(1,889)</u>	<u>(1,975)</u>
Profit before taxation		36,524	36,250
Taxation	5	<u>(13,594)</u>	<u>(15,001)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	6	<u><u>22,930</u></u>	<u><u>21,249</u></u>
Earnings per share	8		
– Basic (<i>RMB</i>)		<u><u>0.07</u></u>	<u><u>0.08</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		56,515	58,910
Prepaid lease payments		17,586	17,997
Available-for-sale investment	9	20,000	–
Deposits for acquisition of property, plant and equipment		<u>65</u>	<u>230</u>
		<u>94,166</u>	<u>77,137</u>
Current assets			
Inventories		27,698	14,676
Prepaid lease payments		411	411
Trade and bills receivables	10	66,199	98,892
Other receivables, deposits and prepayments		2,647	900
Pledged bank deposits		25,449	13,757
Bank balances and cash		<u>101,370</u>	<u>102,088</u>
		<u>223,774</u>	<u>230,724</u>
Current liabilities			
Trade and bills payables	11	75,400	64,972
Other payables and accruals		6,098	11,129
Tax payable		5,900	8,644
Bank borrowings		<u>24,000</u>	<u>24,000</u>
		<u>111,398</u>	<u>108,745</u>
Net current assets		<u>112,376</u>	<u>121,979</u>
Total assets less current liabilities		206,542	199,116
Non-current liability			
Deferred taxation		<u>3,544</u>	<u>3,880</u>
		<u>202,998</u>	<u>195,236</u>
Capital and reserves			
Share capital		2,550	2,550
Reserves		<u>200,448</u>	<u>192,686</u>
		<u>202,998</u>	<u>195,236</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 November 2012, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling party is Ms. Huang Li (the “Controlling Shareholder”). The registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY 1-1108, Cayman Islands, and the address of the principal place of business is No. 21, Jianlong Street, Bao’an Community Henggang Sub-district, Longgang District, Shenzhen City, Guangdong Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are engaged in the design, printing and sale of cigarette packages in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

2. Application of new and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

For the current year, the Group has applied, for the first time, the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatory effective for the current year.

New and revised HKFRSs issued but not yet effective

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 19	Defined Benefit Plans: Employee Contributions ⁴
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
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Revenue and Segment Information

Revenue represents revenue arising on sales of cigarette packages for the year.

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief executive officer of the Group) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one operating segment: design, printing and sale of cigarette packages. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in the consolidated statement of financial position respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit before taxation as stated in the consolidated statement of profit or loss and other comprehensive income respectively. Accordingly, no analysis of this single reportable and operating segment is presented.

Geographical information

As all the Group’s revenue is derived from customers located in the PRC and all the Group’s identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
Customer A	125,165	116,163
Customer B	<u>26,736</u>	<u>36,671</u>

4. Finance Costs

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	<u>1,889</u>	<u>1,975</u>

5. Taxation

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
The PRC Enterprise Income Tax (“EIT”)	11,938	12,697
Withholding tax	<u>1,992</u>	<u>–</u>
	13,930	12,697
Deferred tax:		
Current year	<u>(336)</u>	<u>2,304</u>
	<u>13,594</u>	<u>15,001</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during both years.

Under the Law of the PRC on EIT (the “New Tax Law”) and Implementation Regulations of the Law, the standard tax rate of the PRC entities was 25% for the years ended 31 December 2014 and 2013.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are “non-PRC tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%.

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

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>36,524</u>	<u>36,250</u>
Tax at the standard tax rate of 25%	9,131	9,062
Tax effect of expenses not deductible for tax purpose	1,688	3,247
Tax effect of income not taxable for tax purpose	(27)	(2)
Taxation in other jurisdiction	800	–
Tax effect of tax losses not recognised	513	399
Deferred tax on undistributed earnings of PRC subsidiaries	1,656	2,304
Others	<u>(167)</u>	<u>(9)</u>
Tax charge for the year	<u>13,594</u>	<u>15,001</u>

6. Profit for the Year

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	872	566
Other staff costs		
Salaries and other benefits	16,263	14,507
Retirement benefits scheme contributions	<u>2,711</u>	<u>2,440</u>
	<u>19,846</u>	<u>17,513</u>
Auditor's remuneration	876	1,232
Net foreign exchange loss	362	520
Depreciation of property, plant and equipment	6,644	5,839
Release of prepaid lease payments	411	411
Operating lease rentals in respect of rented premises	2,136	2,056
Cost of inventories recognised as an expense	102,602	103,193
(Reversal) recognition of write-down on obsolete inventories (included in cost of sales)	<u>(217)</u>	<u>2</u>

7. Dividends

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends recognised as distribution during the year:		
2013 Final – HK6 cents (2012: Nil) per share	<u>15,168</u>	<u>–</u>

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

8. Earnings per Share

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

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>22,930</u>	<u>21,249</u>
	2014	2013
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>320,000</u>	<u>279,452</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2013 had been retrospectively adjusted to reflect 999 shares issued pursuant to the corporate reorganisation on 24 May 2013 and 239,999,000 shares issued upon capitalisation on 5 July 2013.

No diluted earnings per share are presented as there is no potential dilutive shares in issue during both years.

9. Available-for-sale Investment

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity security in the PRC	<u>20,000</u>	<u>–</u>

The above unlisted equity investments represented approximately 3.79% interest in 深圳市鵬鼎創盈金融信息服務股份有限公司 (Shenzhen Peng Ding Chuang Ying Financial Information Services Stock Company Limited, “Peng Ding”) which was established in the PRC. During the year, the Group’s equity interest was diluted from 13.33% to 3.79% since there was an increase of registered capital of Peng Ding from RMB150,000,000 to RMB527,780,000 which the Group has no further contribution to Peng Ding. Ms. Huang Li, a director and the Controlling Shareholder of the Company, is also a director of Peng Ding.

The available-for-sale investment is stated at cost less impairment at the end of the reporting period because the directors are of the opinion that its fair value cannot be measured reliably.

10. Trade and Bills Receivables

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	17,599	43,892
Bills receivables	<u>48,600</u>	<u>55,000</u>
	<u><u>66,199</u></u>	<u><u>98,892</u></u>

The Group generally allows credit period of 90 days to its trade customers. For certain major customers, the Group accepts settlement of trade receivables by bank bills with maturity period from 90 days to 180 days.

The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximated the date on which revenue was recognised.

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	17,480	42,944
91 to 180 days	<u>119</u>	<u>948</u>
	<u><u>17,599</u></u>	<u><u>43,892</u></u>

The following is an aged analysis of bills receivables presented based on the date of issuance of bills at the end of reporting period:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	45,400	50,200
91 to 180 days	<u>3,200</u>	<u>4,800</u>
	<u><u>48,600</u></u>	<u><u>55,000</u></u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The trade and bill receivables that are neither past due nor impaired is mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of each reporting period for which the Group has not provided for impairment loss. Aging of trade and bills receivables which are past due but not impaired:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Over 90 days	<u>119</u>	<u>948</u>

The average age of these receivables is 117 days at 31 December 2014 (2013: 110 days). The Group does not hold any collateral over these balances.

11. Trade and Bills Payables

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	41,217	37,458
Bills payables	<u>34,183</u>	<u>27,514</u>
	<u>75,400</u>	<u>64,972</u>

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	39,789	34,824
91 to 180 days	1,069	1,718
181 to 360 days	–	707
Over 360 days	<u>359</u>	<u>209</u>
	<u>41,217</u>	<u>37,458</u>

The following is an aged analysis of bills payables presented based on the date of issuance of bills at the end of reporting period:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	12,387	22,475
91 to 180 days	16,389	5,039
181 to 360 days	<u>5,407</u>	<u>–</u>
	<u><u>34,183</u></u>	<u><u>27,514</u></u>

12. Event after the Reporting Period

The following events took place subsequent to 31 December 2014:

- (a) On 11 December 2014, the Company announced that the Company entered into a subscription agreement with four subscribers (the “Subscribers”) on 9 December 2014 in relation to the subscription of new ordinary shares and convertible preference shares of the Company (the “Subscription Agreement”).

On 3 February 2015, the Company announced that the Company entered into supplemental agreements with the Subscribers on 29 December 2014 and 31 January 2015 respectively. Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe or procure subscribers for, and the Company has conditionally agreed to allot and issue: (i) the new ordinary shares and (ii) the preference shares, at an issue price of HK\$0.79 each, or in the event of the share subdivision having taken place before Completion, at an issue price of HK\$0.079 each.

Details of the transactions are set out in the announcements of the Company dated 11 December 2014 and 2 February 2015, respectively.

- (b) Pursuant to the extraordinary general meeting of the Company held on 4 March 2015, an ordinary resolution in respect of the share subdivision (every existing issued share capital of the Company be subdivided into ten subdivided shares (the “Subdivided Shares”) in the share capital of the Company (the “Share Subdivision”) was duly passed and approved by shareholders.

Upon the Share Subdivision becoming effective on 5 March 2015, the Company has 3,200,000,000 Subdivided Shares in issue and fully paid.

Details of the Share Subdivision are disclosed in the circular of the Company dated 13 February 2015.

(B) Audited consolidated financial statements of the Company for the year ended 31 December 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	5	171,779	183,347
Cost of sales		<u>(104,655)</u>	<u>(116,274)</u>
Gross profit		67,124	67,073
Other income and gains	6	1,163	225
Selling and distribution expenses		(3,997)	(3,098)
Administrative expenses		(15,622)	(9,858)
Listing expenses		(10,443)	(2,184)
Finance costs	7	<u>(1,975)</u>	<u>(1,397)</u>
Profit before taxation		36,250	50,761
Taxation	8	<u>(15,001)</u>	<u>(15,203)</u>
Profit and total comprehensive income for the year	9	<u>21,249</u>	<u>35,558</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		21,249	31,005
Non-controlling interests		<u>–</u>	<u>4,553</u>
		<u>21,249</u>	<u>35,558</u>
Earnings per share	12		
– Basic (RMB)		<u>0.08</u>	<u>0.13</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	13	58,910	53,261
Prepaid lease payments	14	17,997	18,408
Deposits for acquisition of property, plant and equipment		<u>230</u>	<u>–</u>
		<u>77,137</u>	<u>71,669</u>
Current assets			
Inventories	15	14,676	10,293
Prepaid lease payments	14	411	411
Trade and bills receivables	16	98,892	108,784
Other receivables, deposits and prepayments		900	2,440
Amount due from a director	17	–	223
Amount due from a former non-controlling shareholder of a subsidiary	18	–	3,842
Pledged bank deposits	19	13,757	–
Bank balances and cash	19	<u>102,088</u>	<u>30,850</u>
		<u>230,724</u>	<u>156,843</u>
Current liabilities			
Trade and bills payables	20	64,972	58,999
Other payables and accruals	21	11,129	8,827
Amount due to a director	22	–	2,397
Tax payable		8,644	7,450
Bank borrowings	23	<u>24,000</u>	<u>29,600</u>
		<u>108,745</u>	<u>107,273</u>
Net current assets		<u>121,979</u>	<u>49,570</u>
Total assets less current liabilities		199,116	121,239
Non-current liability			
Deferred taxation	24	<u>3,880</u>	<u>1,576</u>
		<u>195,236</u>	<u>119,663</u>
Capital and reserves			
Share capital	25	2,550	–
Reserves		<u>192,686</u>	<u>119,663</u>
		<u>195,236</u>	<u>119,663</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory		Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
			surplus reserve RMB'000 (Note a)	Special reserves RMB'000 (Note b)				
At 1 January 2012	48,000	–	24,385	39	24,471	96,895	25,757	122,652
Profit and total comprehensive income for the year	–	–	–	–	31,005	31,005	4,553	35,558
Dividends recognised as distribution during the year (Note 11)	–	–	–	–	(30,452)	(30,452)	(8,095)	(38,547)
Transfer upon Corporate Reorganisation	(48,000)	–	–	48,000	–	–	–	–
Deemed contribution from controlling shareholder	–	–	–	18,570	–	18,570	–	18,570
Acquisition of additional equity interests from non- controlling shareholders	–	–	–	3,645	–	3,645	(22,215)	(18,570)
At 31 December 2012	–	–	24,385	70,254	25,024	119,663	–	119,663
Profit and total comprehensive income for the year	–	–	–	–	21,249	21,249	–	21,249
Issue of new shares	637	51,639	–	–	–	52,276	–	52,276
Issued of shares by capitalisation of share premium account	1,913	(1,913)	–	–	–	–	–	–
Transaction costs attributable to issue of new shares	–	(4,209)	–	–	–	(4,209)	–	(4,209)
Deemed contribution from controlling shareholder	–	–	–	6,257	–	6,257	–	6,257
At 31 December 2013	<u>2,550</u>	<u>45,517</u>	<u>24,385</u>	<u>76,511</u>	<u>46,273</u>	<u>195,236</u>	<u>–</u>	<u>195,236</u>

Notes:

- a. As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

- b. Special reserves comprise of:
- (i) an amount of RMB39,000, being the difference between the paid-in capital of a subsidiary, 深圳大洋洲印務有限公司 Shenzhen Oceania Printing Company Limited (“Shenzhen Oceania”), and the fair value of the property, plant and equipment invested to Shenzhen Oceania by Asia Modern (Hong Kong) International Limited (“Asia Modern”) on 22 November 2000;
 - (ii) an amount of RMB48,000,000 represented the paid-in capital of Shenzhen Oceania which has been transferred to special reserve as part of the corporate reorganisation set out in note 1;
 - (iii) an amount of RMB3,645,000, being the difference between the carrying amount of the share of net assets acquired and the consideration of RMB18,570,000 in respect of the acquisition of additional interests in subsidiaries on 23 August 2012. The consideration of RMB18,570,000 was treated as deemed contribution from the controlling shareholder; and
 - (iv) an amount of RMB6,257,000 represented the amount due to a director, who is also the Controlling Shareholder (defined in note 1), being waived by the Controlling Shareholder during the year. The waiver was accounted for as deemed contribution from the Controlling Shareholder.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before taxation	36,250	50,761
Adjustments for:		
Depreciation of property, plant and equipment	5,839	6,232
Release of prepaid lease payments	411	411
Recognition of write-down on obsolete inventories	2	246
Interest income	(160)	(202)
(Gain) loss on disposals of property, plant and equipment	(78)	59
Net foreign exchange loss	520	–
Finance costs	<u>1,975</u>	<u>1,397</u>
Operating cash flows before movements in working capital	44,759	58,904
(Increase) decrease in inventories	(4,385)	13,055
Decrease (increase) in trade and bills receivables	9,892	(39,040)
Decrease (increase) in other receivables, deposits and prepayments	1,540	(1,343)
Increase in trade and bills payables	5,973	24,469
(Decrease) increase in other payables and accruals	<u>(236)</u>	<u>4,647</u>
Cash generated from operations	57,543	60,692
Income tax paid	<u>(11,503)</u>	<u>(11,996)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>46,040</u>	<u>48,696</u>
INVESTING ACTIVITIES		
Interest received	160	202
Deposits paid for and purchase of property, plant and equipment	(9,067)	(21,223)
Proceeds from disposals of property, plant and equipment	736	–
Advance to director	(518)	(1,625)
Repayment from director	741	4,301
Advance to a former non-controlling shareholder of a subsidiary	–	(4,942)
Repayment from a former non-controlling shareholder of a subsidiary	3,842	6,100
Placement of pledge bank deposits	<u>(13,757)</u>	<u>–</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(17,863)</u>	<u>(17,187)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
Dividends paid	(771)	(37,776)
Bank loans raised	30,000	29,600
Repayment of bank loans	(35,600)	(20,000)
Interest paid	(1,975)	(1,397)
Advance from a director	34,804	59,200
Repayment to a director	(30,927)	(56,803)
Proceeds from issue of shares	52,276	–
Transaction cost on issue of shares	<u>(4,209)</u>	<u>–</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>43,598</u>	<u>(27,176)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,775	4,333
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE YEAR	30,850	26,517
Effect of foreign exchange rate changes	<u>(537)</u>	<u>–</u>
CASH AND CASH EQUIVALENTS		
AT THE END OF THE YEAR REPRESENTING		
BY BANK BALANCES AND CASH	<u>102,088</u>	<u>30,850</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

1. General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 November 2012. The registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY 1-1108, Cayman Islands, and the address of the principal place of business is No.21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen City, Guangdong Province, the People's Republic of China (the "PRC" or "China"). The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the design, printing and sale of cigarette packages in the PRC.

In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 24 May 2013. Details of the Corporate Reorganisation are more fully explained in the section headed "History, Corporate Reorganisation and Group Structure – Corporate Reorganisation" of the prospectus of the Company dated 24 June 2013 (the "Prospectus"). The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. The consolidated statement of financial position as of 31 December 2012, and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the Group for the year ended 31 December 2012 have been prepared on the basis as if the current group structure has been in existence as of that date or throughout the period.

The shares of the Company were listed on the Stock Exchange on 5 July 2013 (the "Listing"). Its ultimate controlling party is Ms. Huang Li (the "Controlling Shareholder").

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

For the current year, the Group has applied, for the first time, the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatory effective for the current year.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed to reflect the changes.

Except as described above, 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.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual improvement to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual improvement to HKFRSs 2011-2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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.

Consolidation of subsidiaries begin when the Group obtains control over the subsidiaries and cease when the Group loses control of the subsidiaries. Specifically, income and expenses of subsidiaries acquired 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 subsidiaries.

Total comprehensive income and expense of a subsidiary 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.

Where 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

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business.

Revenue from sale of cigarette packages is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 from a financial asset 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, 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.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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. 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 as an expense immediately.

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.

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not associated with qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 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 rate (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 is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 instrument.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 financial asset, 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.

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 trade and bills receivables, other receivables, amount due from a director, amount due from a former non-controlling shareholder of a subsidiary, pledged bank deposits and bank balances) 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

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

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 loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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 profit or loss.

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 entities are recognised at the proceeds received, net of direct issue costs.

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 (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 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 bills payables, other payables and accruals, amount due to a director and bank borrowings 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 following 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 useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining period.

At 31 December 2013, the carrying amount of property, plant and equipment is RMB58,910,000 (31 December 2012: RMB53,261,000). Details of the useful lives of the property, plant and equipment are disclosed in note 13.

Net realisable value of inventories

The Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of write-down would be changed as a result of the changes in current market conditions subsequently.

At 31 December 2013, the carrying amount of inventories is RMB14,676,000 (31 December 2012: RMB10,293,000).

5. Revenue and segment information

Revenue represents revenue arising on sales of cigarette packages for the year.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief executive officer of the Group) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on its products, and has one operating segment: design, printing and sale of cigarette packages. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in the consolidated statement of financial position respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit before taxation as stated in the consolidated statement of profit or loss and other comprehensive income respectively. Accordingly, no analysis of this single reportable and operating segment is presented.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	116,163	123,477
Customer B	36,671	22,436
Customer C	<u>N/A*</u>	<u>25,067</u>

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. Other income and gains

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Gains from sale of packaging materials	75	23
Gain on disposals of property, plant and equipment	78	–
Government grants (<i>Note</i>)	850	–
Interest income	<u>160</u>	<u>202</u>
	<u>1,163</u>	<u>225</u>

Note: Government grants represented subsidies from various PRC governmental authorities which had no conditions or limitations attached.

7. Finance costs

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	<u>1,975</u>	<u>1,397</u>

8. Taxation

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
Current tax	12,697	13,627
Deferred tax	<u>2,304</u>	<u>1,576</u>
	<u>15,001</u>	<u>15,203</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during both years.

Under the Law of the PRC on EIT (the “New Tax Law”) and Implementation Regulations of the Law, the standard tax rate of the PRC entities was 25% for the years ended 31 December 2013 and 2012.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are “non-PRC tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%.

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

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>36,250</u>	<u>50,761</u>
Tax at the standard tax rate of 25%	9,062	12,690
Tax effect of expenses not deductible for tax purpose	3,247	742
Tax effect of income not taxable for tax purpose	(2)	–
Tax effect of tax losses not recognised	399	155
Deferred tax on undistributed earnings of		
PRC subsidiaries	2,304	1,576
Others	<u>(9)</u>	<u>40</u>
Tax charge for the year	<u>15,001</u>	<u>15,203</u>

9. Profit for the year

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' emoluments (<i>Note 10</i>)	566	208
Other staff costs		
Salaries and other benefits	14,507	12,540
Retirement benefits scheme contributions	<u>2,440</u>	<u>1,354</u>
	<u>17,513</u>	<u>14,102</u>
Auditor's remuneration	1,232	77
Net foreign exchange loss	520	–
Depreciation of property, plant and equipment	5,839	6,232
Release of prepaid lease payments	411	411
Operating lease rentals in respect of rented premises	2,056	1,727
Cost of inventories recognised as an expense	103,193	114,300
Recognition of write-down on obsolete inventories (included in cost of sales)	2	246
Loss on disposals of property, plant and equipment	<u>–</u>	<u>59</u>

10. Directors' and chief executive's emoluments and employees' emoluments

The emoluments paid or payable to each of the 6 (2012: 2) directors were as follows:

	Fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Incentive performance bonus <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended					
31 December 2013					
Executive directors					
Ms. Huang Li	56	115	–	5	176
Mr. Zheng Hua	<u>56</u>	<u>54</u>	<u>–</u>	<u>17</u>	<u>127</u>
	<u>112</u>	<u>169</u>	<u>–</u>	<u>22</u>	<u>303</u>
Non-executive director					
Mr. Huang Chao	<u>56</u>	<u>39</u>	<u>–</u>	<u>–</u>	<u>95</u>
Independent non-executive directors					
Mr. Zeng Shi Quan	56	–	–	–	56
Mr. Lam Sing Kwong Simon	56	–	–	–	56
Mr. Tam Talk Kei Raymond	<u>56</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>56</u>
	<u>168</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>168</u>
	<u>336</u>	<u>208</u>	<u>–</u>	<u>22</u>	<u>566</u>
For the year ended					
31 December 2012					
Executive directors					
Ms. Huang Li	–	120	11	–	131
Mr. Zheng Hua	<u>–</u>	<u>63</u>	<u>7</u>	<u>7</u>	<u>77</u>
	<u>–</u>	<u>183</u>	<u>18</u>	<u>7</u>	<u>208</u>

Ms. Huang Li is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

Incentive performance bonus was determined by the management having regard to the performance of directors of the Company and the Group's operation results.

Employees

The five highest paid individuals included 1 (2012: 1) director and the Chief Executive of the Company. The emoluments of the remaining 4 (2012: 4) individuals are as follows:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	866	512
Retirement benefit schemes contributions	<u>117</u>	<u>85</u>
	<u><u>983</u></u>	<u><u>597</u></u>

Each of their emoluments during the years ended 31 December 2013 and 2012 was within HK\$1,000,000.

No emoluments have been paid by the Group to any of the directors or the five highest paid individuals (included directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012. None of the directors nor the Chief Executive waived any emoluments during the years ended 31 December 2013 and 2012.

11. Dividends

Prior to the corporate reorganisation, Shenzhen Oceania had declared dividends to its then equity owners as follows:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Asia Modern	–	30,452
Non-controlling interests	<u>–</u>	<u>8,095</u>
	<u><u>–</u></u>	<u><u>38,547</u></u>

A final dividend in respect of the year ended 31 December 2013 of HK6 cents (2012: Nil) per share, amounting to HK\$19,200,000 (equivalent to approximately RMB15,202,000) (2012: Nil), has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. Earnings per share

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

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Profit for the year attributable to owners of the		
Company for the purpose of basic earnings per share	<u>21,249</u>	<u>31,005</u>
	2013	2012
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	<u>279,452</u>	<u>240,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2013 and 2012 has been retrospectively adjusted to reflect 999 shares issued pursuant to the Corporate Reorganisation on 24 May 2013 and 239,999,000 shares issued upon capitalisation on 5 July 2013 as disclosed in note 25.

No diluted earnings per share are presented as there is no potential dilutive shares in issue during both years.

13. Property, plant and equipment

	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At 1 January 2012	73,528	2,598	4,114	–	80,240
Additions	3,013	–	16	18,757	21,786
Disposals	(190)	–	(402)	–	(592)
At 31 December 2012	76,351	2,598	3,728	18,757	101,434
Additions	6,591	–	120	5,435	12,146
Disposals	(6,576)	–	(2)	–	(6,578)
At 31 December 2013	76,366	2,598	3,846	24,192	107,002
DEPRECIATION					
At 1 January 2012	38,096	1,402	2,976	–	42,474
Provided for the year	5,394	499	339	–	6,232
Eliminated on disposals	(171)	–	(362)	–	(533)
At 31 December 2012	43,319	1,901	2,953	–	48,173
Provided for the year	5,343	284	212	–	5,839
Eliminated on disposals	(5,918)	–	(2)	–	(5,920)
At 31 December 2013	42,744	2,185	3,163	–	48,092
CARRYING VALUES					
At 31 December 2013	33,622	413	683	24,192	58,910
At 31 December 2012	33,032	697	775	18,757	53,261

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Plant and machinery	5 years to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

14. Prepaid lease payments

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purposes as:		
Current assets	411	411
Non-current assets	<u>17,997</u>	<u>18,408</u>
	<u><u>18,408</u></u>	<u><u>18,819</u></u>

The prepaid lease payments represent payments for land use rights in the PRC which are held under medium-term lease.

15. Inventories

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	3,290	4,465
Work in progress	6,174	4,008
Finished goods	<u>5,212</u>	<u>1,820</u>
	<u><u>14,676</u></u>	<u><u>10,293</u></u>

16. Trade and bills receivables

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	43,892	57,784
Bills receivables	<u>55,000</u>	<u>51,000</u>
	<u><u>98,892</u></u>	<u><u>108,784</u></u>

The Group generally allows credit period of 90 days to its trade customers. For certain major customers, the Group accepts settlement of trade receivables by bank bills with maturity period from 90 days to 180 days.

The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximated the date on which revenue was recognised.

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	42,944	56,752
91 to 180 days	948	200
181 to 360 days	<u>—</u>	<u>832</u>
	<u><u>43,892</u></u>	<u><u>57,784</u></u>

The following is an aged analysis of bills receivables presented based on the date of issuance of bills at the end of reporting period:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	50,200	51,000
91 to 180 days	<u>4,800</u>	<u>—</u>
	<u><u>55,000</u></u>	<u><u>51,000</u></u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The trade and bill receivables that are neither past due nor impaired is mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of each reporting period for which the Group has not provided for impairment loss. Aging of trade and bills receivables which are past due but not impaired:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Over 90 days	<u>948</u>	<u>1,032</u>

The average age of these receivables is 110 days at 31 December 2013 (2012: 190 days). The Group does not hold any collateral over these balances.

17. Amount due from a director

Amount due from a director disclosed pursuant to section 161B of the Companies Ordinance was as follows:

			Maximum amount outstanding during the year	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Zheng Hua	<u>–</u>	<u>223</u>	<u>513</u>	<u>390</u>

The amount was unsecured, non-interest bearing and was fully repaid during the year.

18. Amount due from a former non-controlling shareholder of a subsidiary

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
深圳市焯威佳奇投資有限公司 Shenzhen City Zhuowei Jiaqi Investment Company Limited (“Shenzhen Zhuowei Jiaqi”)	<u>–</u>	<u>3,842</u>

The amount represented advance to a former non-controlling shareholder of a subsidiary which was non-trade, unsecured, non-interest bearing and was fully repaid during the year.

19. Pledged bank deposits/bank balances and cash

Bank balances carry interest at rates which range from 0.01% to 1.35% (2012: 0.35% to 0.5%) per annum.

Pledged bank deposits represents deposits pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposits carried variable interest rate of 0.35% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The Group's pledged bank deposits, bank balances and cash that are denominated in currency other than the functional currencies of the respective group entities are set out below:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong Dollars ("HK\$")	<u>39,413</u>	<u>288</u>

20. Trade and bills payables

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	37,458	58,999
Bills payables	<u>27,514</u>	<u>—</u>
	<u>64,972</u>	<u>58,999</u>

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	34,824	47,021
91 to 180 days	1,718	11,551
181 to 360 days	707	196
Over 360 days	<u>209</u>	<u>231</u>
	<u>37,458</u>	<u>58,999</u>

The following is an aged analysis of bills payables presented based on the date of issuance of bills at the end of reporting period:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	22,475	–
91 to 180 days	<u>5,039</u>	<u>–</u>
	<u><u>27,514</u></u>	<u><u>–</u></u>

21. Other payables and accruals

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Other payables and accruals	2,507	1,926
Payable for acquisition of property, plant and equipment	3,309	–
Other taxes payables	3,895	4,494
Salaries payables	1,321	1,546
Dividends payables (<i>Note</i>)	–	771
Other deposits	<u>97</u>	<u>90</u>
	<u><u>11,129</u></u>	<u><u>8,827</u></u>

Note: The amount represented dividends payables to the former equity owners of Shenzhen Oceania.

22. Amount due to a director

The amount was unsecured, non-interest bearing and was waived by the director, who is also the Controlling Shareholder, during the year.

23. Bank borrowings

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured and floating-rate bank borrowings	<u>24,000</u>	<u>29,600</u>

The Group's floating-rate borrowings are subject to interest at 130% of RMB Benchmark Loan Rate issued by the People's Bank of China. The effective interest rates on the Group's borrowings were as follows:

	2013	2012
	%	%
Floating-rate borrowings	<u>7.80</u>	<u>6.94</u>

24. Deferred taxation

The following is the major deferred tax liabilities recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiary RMB'000
At 1 January 2012	–
Charge to profit or loss	<u>1,576</u>
At 31 December 2012 and 1 January 2013	1,576
Charge to profit or loss	<u>2,304</u>
At 31 December 2013	<u><u>3,880</u></u>

The Group had unused tax losses of RMB5,944,000 at 31 December 2013 (2012: RMB4,349,000), which were available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses will expire in 5 years after the year of commencement of the business of the subsidiary, 惠州金彩印務有限公司 (“Huizhou Jin Cai”). Huizhou Jin Cai has not yet commenced business during the year.

25. Share capital

The share capital as at 31 December 2012 of the Group represented the issued and fully paid share capital of the Company. Details of the movement of the share capital of the Company are as follow:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 29 November 2012 (date of incorporation) and at 31 December 2012	38,000,000	380
Increase on 11 June 2013 (<i>Note a</i>)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 December 2013	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 29 November 2012 (date of incorporation) and at 31 December 2012	1	–
Issued pursuant to the Corporate Reorganisation on 24 May 2013 (<i>Note b</i>)	999	–
Issued during the year (<i>Note c</i>)	<u>319,999,000</u>	<u>3,200</u>
At 31 December 2013	<u>320,000,000</u>	<u>3,200</u>
		2013
		<i>RMB'000</i>
Presented in the consolidated statement of financial position as		<u>2,550</u>

Notes:

- (a) Pursuant to the resolutions passed by the sole shareholder of the Company on 11 June 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 ordinary shares of HK\$0.01 each.
- (b) Pursuant to the Corporate Reorganisation on 24 May 2013, the Company allotted and issued 999 ordinary shares of HK\$0.01 each credited as fully paid to the Controlling Shareholder as consideration for acquisition of the entire issued capital of Meteor River Limited, its wholly owned subsidiary.

- (c) On 5 July 2013, the Company allotted and issued 239,999,999 ordinary shares of HK\$0.01 each credited as fully paid to the shareholders by the capitalisation of an amount of HK\$2,399,990 in the share premium account of the Company at par.

On 5 July 2013, the Company issued a total of 80,000,000 ordinary shares of HK\$0.01 each at the HK\$0.82 by way of placing and public offer.

All the shares issued during the period from 29 November 2012 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 ranked *pari passu* in all respects with the then existing shares in issue.

26. Capital risk management

The Groups manages its capital to ensure that companies comprising 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 during the year.

The capital structure of the Group consists of debt, which include the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The management review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The management 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.

27. Financial instruments

a. Categories of financial instruments

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>214,854</u>	<u>145,944</u>
Financial liabilities		
Amortised cost	<u>96,109</u>	<u>95,239</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, amount due from a director, amount due from a former non-controlling shareholder of a subsidiary, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accruals, amount due to a director and bank borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate 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 effectively manner.

The Group's cash flow interest rate risk relates primarily to its floating-rate pledged bank deposits, bank balances and bank borrowings. The Group has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the borrowings. Currently, the Group does not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating-rate bank borrowings. The analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB180,000 for the year ended 31 December 2013 (2012: RMB222,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

Currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and their major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in HK\$.

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

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
HK\$	<u>39,773</u>	<u>291</u>
Liabilities		
HK\$	<u>186</u>	<u>2,672</u>

The following table details the Group's sensitivity to a 3% increase and decrease in RMB against the relevant foreign currency. 3% (2012: 1%) 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 rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 3% (2012: 1%) change in foreign currency rates. The sensitivity analysis includes bank balances and cash, other receivables and other payables. A negative number below indicates decrease in post-tax profit where RMB strengthens against HK\$. For a 3% (2012: 1%) weakening of RMB against the HK\$, there would be an equal and opposite impact on the profit.

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		
HK\$	<u>(891)</u>	<u>18</u>

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk management

As at 31 December 2013, 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.

The Group has concentration of credit risk as 97% (2012: 97%) of the total trade receivables was due from the Group's four largest customers as at 31 December 2013. These largest customers are provincial tobacco industrial companies in the PRC with good reputation and repayment records.

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 monetary 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 either state-owned banks or banks with high credit ratings located in the PRC.

Liquidity risk management

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 management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised bank borrowings facilities of approximately RMB22,486,000 as at 31 December 2013 (2012: RMB400,000).

The following table details the Group's remaining contractual maturity for its 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 the reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2013					
Trade and bills payables	-	64,972	-	64,972	64,972
Other payables and accruals	-	7,137	-	7,137	7,137
Bank borrowings – floating rate	7.80	<u>3,434</u>	<u>21,285</u>	<u>24,719</u>	<u>24,000</u>
		<u>75,543</u>	<u>21,285</u>	<u>96,828</u>	<u>96,109</u>
2012					
Trade and bills payables	-	58,999	-	58,999	58,999
Other payables and accruals	-	4,243	-	4,243	4,243
Amount due to a director	-	2,397	-	2,397	2,397
Bank borrowings – floating rate	6.94	<u>514</u>	<u>30,057</u>	<u>30,571</u>	<u>29,600</u>
		<u>66,153</u>	<u>30,057</u>	<u>96,210</u>	<u>95,239</u>

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

c. Transfers of financial assets

The following were the Group's bills receivables that were transferred to suppliers by endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables. These financial assets and liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of bills receivables	900	16,600
Carrying amount of trade payables	<u>900</u>	<u>16,600</u>
Net position	<u><u>–</u></u>	<u><u>–</u></u>

28. Retirement benefit plans

The employees of the PRC subsidiaries are members of state-managed retirement benefit scheme operated by the PRC Government. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

The total expense recognised in profit or loss of approximately RMB2,462,000 for the year ended 31 December 2013 (2012: RMB1,361,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

29. Capital commitments

The Group had the following capital commitments:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>668</u>	<u>7,196</u>

30. Operating lease commitment*The Group as lessee*

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:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,169	1,761
In the second to fifth year inclusive	<u>2,507</u>	<u>4,183</u>
	<u><u>4,676</u></u>	<u><u>5,944</u></u>

Operating lease payments represent rentals payable by the Group for its office and manufacturing premises. Leases are negotiated from two to five years and rentals are fixed over the respective leases.

31. Share-based payments*Equity-settled share option scheme of the Company*

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 10 June 2023. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated

in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

For the year ended 31 December 2013, no share options had been granted and the Company had no share options outstanding at 31 December 2013.

32. Major non-cash transactions

During the year ended 31 December 2013, the Controlling Shareholder waived the amount due to a director of approximately RMB6,257,000. The waiver was accounted for as deemed contribution from the Controlling Shareholder.

During the year ended 31 December 2012, the Group completed the acquisition of 79% and 21% equity interests in Shenzhen Oceania from Asia Modern and the non-controlling shareholders of Shenzhen Oceania at a consideration of RMB69,850,000 and RMB18,570,000, respectively. Such consideration was settled by the Controlling Shareholder.

33. Related party transactions

- (a) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 17, 18 and 22.
- (b) On 31 December 2012, Ms. Huang Li, the Controlling Shareholder, provided guarantees to the bank borrowings facilities of the Group and also provided guarantees to banks for granting unsecured loans to the Group of RMB29,600,000. In May 2013, the Group early repaid all outstanding bank borrowings and the guarantees were released accordingly.

(c) Compensation of key management personnel

The remuneration of key management personnel which represent the directors and key executives of the Company during the year were as follows:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	1,410	713
Retirement benefit schemes contributions	<u>139</u>	<u>92</u>
	<u><u>1,549</u></u>	<u><u>805</u></u>

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

34. Particulars of subsidiaries of the company

Particulars of the Company's subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place and date of establishment/ incorporation/ operations	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group		Principal activities
			Directly 2013 & 2012	Indirectly 2013 & 2012	
Meteor River Limited	British Virgin Islands 26 January 2011	Ordinary share US\$1	100%	–	Investment holding
Super Future Investments Limited	Hong Kong 19 January 2011	Ordinary share HK\$1	–	100%	Investment holding
Shenzhen Oceania Printing Company Limited*	PRC 23 March 2000	Registered capital RMB48,000,000	–	100%	Design, printing and sale of cigarette packages
Huizhou Jin Cai [#]	PRC 20 August 2008	Registered capital RMB22,000,000	–	100%	Inactive

* *Company established as foreign invested limited liability company.*

[#] *Limited liability company established in the PRC.*

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

35. Statement of financial position of the company

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Non-current assets		
Investment in a subsidiary	<u>—</u>	<u>—</u>
Current assets		
Prepayment	162	—
Bank balances and cash	<u>39,274</u>	<u>—</u>
	<u>39,436</u>	<u>—</u>
Current liabilities		
Other payables and accruals	170	—
Amount due to a subsidiary	3,100	—
Amount due to a director	<u>—</u>	<u>2,269</u>
	<u>3,270</u>	<u>2,269</u>
Net current assets (liabilities)	<u>36,166</u>	<u>(2,269)</u>
	<u>36,166</u>	<u>(2,269)</u>
Capital and reserves		
Shares capital	2,550	—
Reserves	<u>33,616</u>	<u>(2,269)</u>
	<u>36,166</u>	<u>(2,269)</u>

Movement in reserves:

	Share premium <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 29 November 2012 (date of incorporation)	–	–	–	–
Loss for the period	<u>–</u>	<u>–</u>	<u>(2,269)</u>	<u>(2,269)</u>
At 31 December 2012	–	–	(2,269)	(2,269)
Loss for the year	–	–	(11,874)	(11,874)
Issue of new shares	51,639	–	–	51,639
Issue of shares by capitalisation of share premium account	(1,913)	–	–	(1,913)
Transaction costs attributable to issue of new shares	(4,209)	–	–	(4,209)
Deemed contribution from Controlling Shareholder	<u>–</u>	<u>2,242</u>	<u>–</u>	<u>2,242</u>
At 31 December 2013	<u>45,517</u>	<u>2,242</u>	<u>(14,143)</u>	<u>33,616</u>

3. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness statement of the Group was as below:

As at 28 February 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had an unsecured, unguaranteed bank borrowing of RMB22 million and unutilised banking facilities of approximately RMB33.7 million.

Save as the aforesaid, as at the close of business on 28 February 2015, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other contingent liabilities.

The Directors confirm that they are not aware of any material change in indebtedness and contingent liabilities of the Group since 28 February 2015 up to the Latest Practicable Date.

4. MATERIAL CHANGE

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 financial statements of the Company were made up, up to and including the Latest Practicable Date.

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 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 (other than information relating to the First Subscriber, the Second Subscriber and the Third Subscriber) contained in this circular and confirm having made all reasonable inquiries, that to the best of their knowledge, opinions expressed 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 directors of the First Subscriber, namely, Hu Xiaoyong, Zhou Min and Li Haifeng, and all directors of Beijing Enterprises Water Group Limited, the holding company of the First Subscriber, namely Mr. Li Yongcheng, Mr. E Meng, Mr. Jiang Xinhao, Mr. Hu Xiaoyong, Mr. Zhou Min, Mr. Li Haifeng, Mr. Zhang Tiefu, Ms. Qi Xiaohong, Mr. Ke Jian, Mr. Tung Woon Cheung Eric, Mr. Li Li, Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Ms. Hang Shijun, Mr. Wang Kaijun and Mr. Yu Ning, jointly and severally accept full responsibility for the accuracy of the information relating to the First Subscriber contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the First Subscriber 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.

As at the Latest Practicable Date, the general partner of the Second Subscriber is CITIC PE Associates II, L.P. and the general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited, whose directors are Mr. Ye Changqing and Ms. Cindy Chan.

CITIC PE Funds II Limited and all the directors of CITIC PE Funds II Limited jointly and severally accept full responsibility for the accuracy of the information relating to the Second Subscriber contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Second Subscriber 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.

As at the Latest Practicable Date, the general partner of the Third Subscriber is 北京宥德投資管理中心(有限合夥), and the general partner of 北京宥德投資管理中心(有限合夥) is 上海常瑞投資諮詢有限公司, whose legal representative is Mr. Tian Yu.

上海常瑞投資諮詢有限公司 and the legal representative of 上海常瑞投資諮詢有限公司 jointly and severally accept full responsibility for the accuracy of the information relating to the Third Subscriber contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Third Subscriber 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.

2. MARKET PRICE

The table below sets out the closing prices of the Ordinary Shares on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of the First Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Ordinary Share ⁽¹⁾ HK\$
30 June 2014	0.113
31 July 2014	0.132
29 August 2014	0.123
30 September 2014	0.121
31 October 2014	0.120
26 November 2014 (being the Last Trading Day)	0.140
28 November 2014	0.140 ⁽²⁾
31 December 2014	0.140 ⁽²⁾
30 January 2015	0.140 ⁽²⁾
27 February 2015	0.382
31 March 2015	0.400
8 April 2015 (being the Latest Practicable Date)	0.390

Note:

- The closing prices of the Ordinary Shares prior to 5 March 2015, on which date the Share Subdivision became effective, have been adjusted accordingly to reflect the effect of the Share Subdivision.
- Trading in the Ordinary Shares was suspended from 27 November 2014 to 2 February 2015. The closing price refers to the closing price of the Ordinary Shares on the trading day immediately preceding the suspension, being the Last Trading Day.

The lowest and highest closing market prices of the Ordinary Shares recorded on the Stock Exchange during the period commencing on 11 June 2014 (being the six months immediately prior to the date of the First Announcement) and ending on the Latest Practicable Date were HK\$0.415 per Ordinary Share on 20 March 2015 and 27 March 2015 and HK\$0.111 per Ordinary Share (as adjusted by the Share Subdivision) on 27 June 2014 respectively.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(i) Share capital

The following are the authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the approval of the Share Capital Resolution and after the issue of the New Ordinary Shares and the Conversion Shares:

<i>Authorised</i>	<i>HK\$</i>
20,000,000,000 Ordinary Shares	20,000,000.00
<i>Issued and fully paid or credited as fully paid</i>	
3,200,000,000 Ordinary Shares	3,200,000.00

(b) ***Immediately following the approval of the Share Capital Resolution and after the issue of the New Ordinary Shares and all Conversion Shares:***

<i>Authorised</i>	<i>HK\$</i>
466,637,115,100 Ordinary Shares	466,637,115.10
33,362,884,900 Preference Shares	33,362,884.90
<i>Issued and fully paid or credited as fully paid</i>	
3,200,000,000 Ordinary Shares in issue as at the Latest Practicable Date	3,200,000.00
14,136,452,910 Allotment and issue of the New Ordinary Shares	14,136,452.91
33,362,884,900 Allotment and issue of all Conversion Shares (upon conversion of all the Preference Shares)	33,362,884.90
<u>50,699,337,810</u>	<u>50,699,337.81</u>

All the issued Ordinary Shares will rank *pari passu* with each other in all respects including, in particular, the rights in respect of capital, dividend and voting. The holders of the Subscription Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Subscription Shares.

Since 31 December 2014 (being the date to which the latest published audited accounts of the Group were prepared) and up to the Latest Practicable Date, no new Ordinary Shares have been issued by the Company.

(ii) Share options and convertible securities

As at the Latest Practicable Date, the Company had no outstanding share options, warrants and convertible securities or rights convertible into Ordinary Shares in issue.

4. DISCLOSURE OF INTERESTS

(a) Directors' interest

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity/Nature	Number of Ordinary Shares held	Percentage of interest
Ms. Huang Li ⁽¹⁾	Interest of controlled corporation	2,400,000,000	75%

Long positions in the ordinary shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature	Number of ordinary shares held	Percentage of interest
Ms. Huang Li ⁽¹⁾	Ocean Ahead	Beneficial owner	100	100%

Notes:

1. *Ms. Huang Li beneficially owns the entire issued share capital of Ocean Ahead. Therefore, Ms. Huang Li is deemed or taken to be interested in all the shares of the Company held by Ocean Ahead for the purposes of the SFO. Ms. Huang Li is the sole director of Ocean Ahead.*

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor 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 (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) 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) have been entered into or amended within six months before the date of the First Announcement;
- (b) which are continuous contracts with a notice period of 12 months or more;
- (c) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) which are not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(c) Interests in the Group's assets, contract or arrangement significant to the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing businesses

Each of the Directors has confirmed that he and his associates do not have any interests in a 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.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following persons and entities, other than a Director or chief executive of the Company, had an interest or short position in the Ordinary Shares and underlying shares in the Company as recorded in the register required to be kept under section 366 of the SFO.

Long positions in the shares of the Company

Name of shareholder	Capacity/Nature	Number of Ordinary Shares held	Percentage of shareholding
Ocean Ahead	Beneficial owner	2,400,000,000	75%
Beijing Enterprises Holding Limited	Interest of controlled corporation	1,772,151,900 (Note)	34.95%
Beijing Enterprises Water Group Limited	Interest of controlled corporation	1,772,151,900 (Note)	34.95%
First Subscriber	Beneficial owner	1,772,151,900 (Note)	34.95%

Name of shareholder	Capacity/Nature	Number of Ordinary Shares held	Percentage of shareholding
CPE China Fund II, L.P.	Beneficial owner	759,493,671 <i>(Note)</i>	14.98%
CPE China Fund IIA, L.P.	Interest held jointly with another person	759,493,671 <i>(Note)</i>	14.98%
Third Subscriber	Beneficial owner	759,493,671 <i>(Note)</i>	14.98%

Note: The number of Shares are based on the disclosure of interests notices filed on 9 December 2014 and have not taken into account the effect of the Share Subdivision.

Save as disclosed above, as at the Latest Practicable Date, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the Ordinary Shares and underlying shares in the Company (i) as recorded in the register required to be kept under section 366 of the SFO; or (ii) required to be disclosed in this circular pursuant to the Takeovers Code.

6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) there was no arrangement entered into by the Concert Group to transfer, charge or pledge the Subscription Shares that may be issued and allotted to the Concert Group under the Subscription Agreement or as a result of any obligation under the Subscription Agreement;
- (b) save for the Subscription Shares which Zihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited will acquire as set out in the paragraph headed “Effect on shareholding structure” in the letter from the Board in this circular, the directors of the First Subscriber, the Second Subscriber and the Third Subscriber did not hold, own or control any Ordinary Share, convertible securities, warrants, options or derivatives of the Company, nor had any such directors dealt for value in any such securities of the Company during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;

- (c) save for the Subscription Shares which the First Subscriber, the Second Subscriber the Third Subscriber, Zihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited will acquire under the Subscription Agreement as disclosed in the paragraph headed “Effect on shareholding structure” in the letter from the Board in this circular, no member of the Concert Group held, owned, controlled any other Ordinary Shares, convertible securities, warrants, options or derivatives of the Company and no member of the Concert Group had dealt for value in any such securities of the Company during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;
- (d) save as disclosed in the paragraph headed “Other undertakings” in the letter from the Board in this circular, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscription Agreement and/or the Whitewash Waiver;
- (e) save for the Subscription Agreement and the transactions contemplated thereunder, the Concert Group did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;
- (f) the Company did not hold, control or have any direction over any shares and any options, warrants, derivatives or convertible securities in respect of the securities in the First Subscriber, the Second Subscriber or the Third Subscriber and it had not dealt for value in any such securities of the First Subscriber, the Second Subscriber or the Third Subscriber during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;
- (g) none of the Directors held, controlled or had direction over any options, warrants, derivatives or convertible securities in respect of the securities in the First Subscriber, the Second Subscriber or the Third Subscriber and none of the Directors had dealt for value in any such securities of the First Subscriber, the Second Subscriber or the Third Subscriber during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;
- (h) save as disclosed in the paragraph headed “Directors’ interest” in this appendix, none of the Directors was interested in any Ordinary Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Ordinary Shares. In addition, none of the Directors had dealt for value in any Ordinary Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;

- (i) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company, nor any adviser of the Company as specified in class (2) of the definition of associate in the Takeovers Code, owned or controlled any Ordinary Shares, convertible securities, warrants, options or derivatives of the Company or had dealt for value in any Ordinary Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to the date of the First Announcement and ending on the Latest Practicable Date;
- (j) 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 in the Takeovers Code;
- (k) other than Ms. Huang Li and her associates and parties acting in concert with any of them who shall abstain from voting on the ordinary resolutions for approving the Subscription and the Whitewash Waiver at the EGM, none of the Directors had any registered or beneficial shareholdings (as defined under Note 1 to paragraph 4, Schedule I of the Takeovers Code) in the Ordinary Shares or convertible securities, warrants, options and derivatives of the Company which would entitle them to vote in respect of the ordinary resolutions for approving the Subscription and the Whitewash Waiver at the EGM;
- (l) neither the Company nor any Directors had borrowed or lent any Ordinary Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Ordinary Shares;
- (m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (n) there was no agreement, arrangement or understanding (including compensation arrangement) (i) between the Concert Group and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and (ii) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and
- (o) apart from the Subscription Agreement, there is no material contract entered into by the First Subscriber, the Second Subscriber or the Third Subscriber in which any Director has a material personal interest.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the First Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Group and are or may be material:

- (i) a sale and purchase agreement dated 24 May 2013 entered into between Ms. Huang Li and the Company, pursuant to which Ms. Huang Li transferred 1 share in the share capital of Meteor River Limited to the Company and as consideration for which (i) 999 Shares, all credited as fully paid, were allotted and issued to Ocean Ahead; and (ii) the one nil-paid Share held by Ocean Ahead was credited as fully paid;
- (ii) an instrument of transfer dated 24 May 2013 entered into between Ms. Huang Li and the Company for the transfer of 1 share in the share capital of Meteor River Limited as referred to in paragraph (i) above;
- (iii) a deed of non-competition dated 18 June 2013 in Chinese executed by Ms. Huang Li in favor of the Company;
- (iv) a deed of non-competition dated 18 June 2013 in Chinese executed by Ocean Ahead in favor of the Company;
- (v) a deed of indemnity dated 18 June 2013 executed by Ms. Huang Li and Ocean Ahead in favor of the Company;
- (vi) the public offer underwriting agreement dated 21 June 2013 entered into among the Company, First Shanghai Capital Limited, First Shanghai Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, Ms. Huang Li, Zheng Hua and Ocean Ahead;
- (vii) the placing underwriting agreement dated 27 June 2013 entered into among the Company, First Shanghai Capital Limited, First Shanghai Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, Yue Xiu Securities Company Limited, Ms. Huang Li, Zheng Hua and Ocean Ahead;

(viii) a founding member agreement dated 3 June 2014 entered into among 深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*) (“**Shenzhen Oceania**”), an indirect wholly-owned subsidiary of the Company, 深圳市科陸電子科技股份有限公司 (Shenzhen Clou Electronics Company Limited*), 海能達通信股份有限公司 (Hytera Communications Company Limited*), 深圳市沃爾核材股份有限公司 (Shenzhen Woer Heat-Shrinkable Material Company Limited*), 深圳市興森快捷電路科技股份有限公司 (Shenzhen Fastprint Circuit Tech Company Limited*), 深圳天源迪科信息技術股份有限公司 (Shenzhen TYDIC Information Technology Company Limited*), 深圳市金桔創盈投資管理合夥企業 (有限合夥) (Shenzhen Jin Ju Chuang Ying Investment Management Partnership Enterprise (Limited Partnership)*), 深圳市高新投創業投資有限公司 (Shenzhen Gao Xin Tou Venture Capital Company Limited*), 深圳市元明科技發展有限公司 (Shenzhen Yuan Ming Technology Development Company Limited*) and 深圳市同創盈投資諮詢有限公司 (Shenzhen Tong Chuang Ying Investment Consultancy Company Limited*) for the establishment of 深圳市鵬鼎創盈金融信息服務股份有限公司 (Shenzhen Peng Ding Chuang Ying Financial Information Services Stock Company Limited*) (the “**JV Company**”), pursuant to which Shenzhen Oceania agreed to subscribe for an aggregate of 20,000,000 shares of the JV Company by a total capital contribution of RMB20,000,000;

- (ix) the Subscription Agreement;
- (x) the First Supplemental Agreement; and
- (xi) the Second Supplemental Agreement.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, 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.

* For identification only

9. QUALIFICATION AND CONSENT OF EXPERT

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

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

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any 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;
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014, being the date up to which the latest published audited consolidated financial statements of the Group were made; and
- (c) 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.

The letter of advice given by the Independent Financial Adviser to the Independent Board Committee was made on 10 April 2015 for incorporation in this circular.

10. GENERAL

- (i) The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (ii) The headquarter and principal place of business of the Company in the PRC is at No.21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen City, Guangdong Province, PRC and the principal place of business of the Company in Hong Kong is at Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (iii) The company secretary of the Company is Ms. Lam Kit Yan.

- (iv) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The financial adviser of the Company is First Shanghai Capital Limited and its registered office is situated at 19/F Wing On House, 71 Des Voeux Road, Central, Hong Kong.
- (vi) The Independent Financial Adviser is Somerley Capital Limited and its registered office is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (vii) The registered address of the First Subscriber is Porcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

The registered address of the Second Subscriber is PO Box 309, Uglan House, Grand Cayman.

The registered address of the Third Subscriber is Room 533A, 17 Hou Yong Kang Hu Tong, Dongcheng District, Beijing, China.

- (viii) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.
- (ix) As at the Latest Practicable Date, the Board comprises six Directors, namely Ms. Huang Li and Mr. Zheng Hua as executive Directors; Mr. Huang Chao as non-executive Director; Mr. Zeng Shiquan, Mr. Tam Tak Kei Raymond and Professor Lam Sing Kwong Simon as independent non-executive Directors.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 19/F., Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM. 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.jincaiholding.com> from the date of this circular up to and including the date of the EGM.

- (1) the memorandum and articles of association of the Company;
- (2) the memorandum and articles of association of the First Subscriber;
- (3) the prospectus of the Company dated 24 June 2013;
- (4) the annual report of the Company for the year ended 31 December 2013;

- (5) the annual results announcement of the Company for the year ended 31 December 2014 dated 18 March 2015;
- (6) the undertakings by Ms. Huang Li and Ocean Ahead mentioned in the paragraph headed “Other undertakings” in the letter from the Board in this circular;
- (7) the letter from the Board to the Shareholders, the text of which is set out on pages 7 to 44 of this circular;
- (8) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 45 to 46 of this circular;
- (9) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 47 to 84 of this circular;
- (10) the written consent from the Independent Financial Adviser as referred to in the paragraph headed “Qualification and consent of expert” in this appendix;
- (11) the written consent from First Shanghai Capital Limited in relation to the publication of its name in this circular;
- (12) the material contracts referred to in the paragraph headed “Material contracts” in this appendix; and
- (13) this circular.

**APPENDIX III PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

It is proposed that the Articles of Association of the Company will be amended in the following manner:

- (a) by inserting the following definition immediately after the definition of “Board” in Article 1(b):

““Business Day” means any day (excluding Saturdays, Sundays and public holidays in Hong Kong) on which banks generally are open for business in Hong Kong;”

- (b) by inserting the following definition immediately after the definition of “Ordinary Resolution” in Article 1(b):

““Ordinary Shares” means the Company’s ordinary shares of a par value of HK\$0.001 each;”

- (c) by inserting the following definition immediately after the definition of “Paid” in Article 1(b):

““Preference Shares” means the Company’s preference shares of a par value of HK\$0.001 each;”

- (d) by inserting the following definition immediately after the definition of “Special Resolution” in Article 1(b):

““Stock Exchange” means The Stock Exchange of Hong Kong Limited;”

- (e) by inserting a new Article 6A immediately after Article 6 as follows:

“6A Share Capital

Unless otherwise determined by the Shareholders in accordance with these Articles, the authorised share capital of the Company shall be divided into two classes:

- (c) 466,637,115,100 Ordinary Shares of par value of HK\$0.001 each; and
(d) 33,362,884,900 Preference Shares of par value of HK\$0.001 each.”

**APPENDIX III PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

(f) by inserting a new Article 6B immediately after the new Article 6A as follows:

“6B Rights of Ordinary Shares

The holders of Ordinary Shares shall, subject to the provision of these Articles:

- (e) be entitled to one vote per Share;
- (f) be entitled to such dividends as the Board may from time to time declare;
- (g) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (h) generally be entitled to enjoy all of the rights attaching to the Shares.

(g) by inserting a new Article 6C immediately after the new Article 6B as follows:

“6C Rights of Preference Shares

Notwithstanding anything else to the contrary in these Articles, the Preference Shares shall have the following special rights and restrictions and, as between themselves, shall carry equal rights and rank *pari passu* with one another:

(A) AS REGARDS DIVIDEND

The Preference Shares shall, on the basis of full conversion of which, rank *pari passu* for dividends with the Ordinary Shares.

(B) AS REGARDS RETURN ON CAPITAL

Each of the Preference Shares shall rank prior to, for return of capital on liquidation, winding up or dissolution of the Company and shall rank *pari passu* with, for participation in the distribution of surplus assets of the Company, all other Ordinary Shares in the capital of the Company for the time being in issue.

(C) AS REGARDS TRANSFERABILITY

Any Preference Shares shall be freely transferable.

**APPENDIX III PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

(D) AS REGARDS VOTING

The holder(s) of the Preference Shares will not be entitled to attend or vote at any general meeting of the Company by reason only of his/her/its being the holder(s) of the Preference Shares, unless a resolution is to be proposed at a general meeting for winding up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preference Shares, in which event the Preference Shares shall confer on the holder(s) thereof the right to receive notice of, and to attend and vote at, the general meeting.

(E) AS REGARDS CONVERSION

- (a) Subject to clause (h) below, and subject further to payment in full of the subscription price of the Preference Shares, the Preference Shares shall be convertible into such number of fully-paid Ordinary Shares in accordance with this Article by such holder of the Preference Shares serving the conversion notice (the “**Conversion Notice**”) to the Company on any Business Day after the issue date.
- (b) The number of Ordinary Shares to which a holder of Preference Shares shall be entitled upon conversion following a conversion event shall be the number obtained by multiplying the subscription price of each Preference Share by the number of the Preference Shares being converted, divided by HK\$0.079 (as adjusted in accordance with the conversion adjustment) (the “**Conversion Price**”) then in effect.
- (c) The Conversion Price shall be subject to the adjustment set out in this Article, but shall not be less than the then par value of an Ordinary Share.
- (d) Upon delivery of the Conversion Notice and certificate(s) evidencing the Preference Shares to be converted by the holder thereof to the Company, the Company shall promptly and, in any event no later than 3 Business Days after the date of receipt of the Conversion Notice and such certificate(s):
 - (i) issue and deliver to such holder certificate(s) for the number of Ordinary Shares into which the Preference Shares are converted in the name as shown on the certificate(s) evidencing the Preference Shares so surrendered to the Company; or

- (ii) cause to be credited into the relevant brokers' account of the holder of the Preference Shares such number of Ordinary Shares into which the Preference Shares are converted upon request of the relevant holder of the Preference Shares.
- (e) No fraction of an Ordinary Share shall be issued upon conversion of the Preference Shares. Fractional entitlement shall be ignored by the holder of the Preference Shares and any sum paid in respect of such subscription shall be retained by the Company for its own benefit.
- (f) The Company shall ensure that at all times there is a sufficient number of unissued Ordinary Shares in its authorised share capital to be issued in satisfaction of the conversion right pursuant to clause (E)(a) in this Article.
- (g) Upon the issue of the Ordinary Shares into which the Preference Shares are converted, the Company shall enter such member of the Company in its register of members in respect of the relevant number of Ordinary Shares arising from such conversion, and the Preference Shares which have been converted into Ordinary Shares shall be treated as cancelled.
- (h) Notwithstanding any provision in this Article, conversion shall be subject to the following requirements:
 - (i) the Company's obligation to effect conversion of fully-paid Preference Shares into Ordinary Shares in respect of which Conversion Notice has been served by a holder of Preference Shares ("**Outstanding Preference Shares**"), shall be subject to the Company's compliance with Rule 8.08 of the Listing Rules.
 - (ii) The Company undertakes with the holders of Preference Shares that in the event that the Company is unable to effect conversion of any Outstanding Preference Shares for the reason of compliance with Rule 8.08 of the Listing Rules, it shall, once headroom for conversion of such Outstanding Preference Shares is available, effect conversion of such Outstanding Preference Shares into Ordinary Shares to the maximum extent possible.

- (iii) In the event the Outstanding Preference Shares are held by more than one holders of Preference Shares and the headroom for conversion by the Company under the above clause (E)(h)(ii) is insufficient to enable all of such Outstanding Preference Shares be converted in one batch, the Outstanding Preference Shares held by the relevant holders of Preference Shares shall be converted by the Company on a pro-rata basis.
- (iv) Subject to these Articles and any other applicable laws and rules, the method of conversion of the Preference Shares shall be determined by the Directors as they think appropriate from time to time without further approval from the Shareholders of the Company, including but not limited to redemption or repurchase, or reclassification as Ordinary Shares, of the Preference Shares.

(F) AS REGARDS CONVERSION ADJUSTMENTS

- (a) The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of clauses (i) to (vi), it shall fall within the first of the applicable clauses to the exclusion of the remaining clauses:
 - (i) if and whenever the Ordinary Shares by reason of any consolidation or subdivision or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division or reclassification becomes effective.
 - (ii) if and whenever the Company shall:
 - (1) issue (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account);
or

- (2) issue Ordinary Shares paid out of distributable profits or reserves and/or share premium accounts issued in lieu of the whole or any part of a cash dividend, being a dividend which the holders of the Ordinary Shares concerned would or could otherwise have received but only to the extent that the market value of such Ordinary Shares exceeds 110% of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash and which would not have constituted a capital distribution (as defined in this Article) (for which purpose the “market value” of an Ordinary Share shall mean the average of the closing prices published in the Hong Kong Stock Exchange’s Daily Quotation Sheet for one Ordinary Share for 5 trading days ending on the last trading day immediately preceding the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash); then the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day next following the record date for such issue.
- (iii) if and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying by the following fraction:

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

where:

A = the closing price published in the Stock Exchange in respect of one Ordinary Share on the trading day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or failing any such announcement, the date of the capital distribution or the grant, as the case may be, as determined in good faith by the independent financial adviser appointed by the Company, of the portion of the capital distribution or of such rights which is/are attributable to one Ordinary Share,

Provided that:

- (1) if, in the opinion of the relevant independent financial adviser appointed by the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the closing price published in the Stock Exchange's Daily Quotation Sheet of one Ordinary Share which should properly be attributed to the value of the capital distribution or rights; and
- (2) the above clause (F)(a)(iii) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day following the record date for the capital distribution or grant;

- (iv) if and whenever the Company shall offer to all holders of Ordinary Shares new Ordinary Shares for subscription by way of rights, or shall grant to all holders of Ordinary Shares any options or warrants to subscribe for new Ordinary Shares, at a price per new Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Ordinary Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Ordinary Shares in issue immediately before the date of such announcement;

H = the number of Ordinary Shares which the aggregate of the two following amounts would purchase at such market price:

- (1) the total amount (if any) payable to the rights, options or warrants being offered or granted; and
- (2) the total amount payable for all of the new Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted; and

I = the aggregate number of Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

(v)(1) if and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares, and the total Effective Consideration per new Ordinary Share initially receivable for such securities is less than 90% of the market price at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

where:

J = the number of Ordinary Shares in issue immediately before the date of the issue of such securities;

K = the number of Ordinary Shares which the total Effective Consideration receivable for such securities would purchase at such market price; and

L = the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the date of issue of such securities.

- (2) if and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in clause (F)(a)(v)(1) in this Article are modified so that the total Effective Consideration per new Ordinary Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{M + N}{M + O}$$

where:

M = the number of Ordinary Shares in issue immediately before the date of such modification;

N = the number of Ordinary Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market prices; and

O = the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

- (3) For the purpose of this Article:
- (i) the “total Effective Consideration” receivable for the securities issued shall be deemed to be the aggregate consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and
 - (ii) the “total Effective Consideration per new Ordinary Share” initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Ordinary Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.
- (vi) if and whenever the Company shall issue wholly for cash any Ordinary Shares at a price per Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Ordinary Shares in issue immediately before the date of such announcement;

Q = the number of Ordinary Shares which the aggregate amount payable for such issue would purchase at such market price; and

R = the number of Ordinary Shares allotted pursuant to such issue.

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

(b) For the purposes of this Article:

“**announcement**” shall mean the publication of an announcement on the website of the Stock Exchange, “**date of announcement**” shall mean the date of the announcement and “**announce**” shall be construed accordingly;

“**capital distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend or distribution charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution, provided that any such dividend shall not automatically be so deemed if:

- (i) it is paid out of the net profits (less losses) attributable to the holders of Ordinary Shares for all financial periods after that ended 31 March 2013 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (a) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the independent financial adviser appointed by the Company appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially;

“**issue**” shall include allot;

“**market price**” means the average of the closing prices published in the Stock Exchange’s Daily Quotation Sheet for one Ordinary Share for the 5 trading days ending on the last trading day immediately preceding the day on or as of which such price is to be ascertained PROVIDED THAT if at any day during the said 5 trading days, the Share shall have been quoted ex-dividend and during some other part of that period, the Ordinary Shares shall have been quoted cum-dividend, then:

- (i) if the Ordinary Shares to be issued do not rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; and
- (ii) if the Ordinary Shares to be issued rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Ordinary Share; and PROVIDED FURTHER THAT if the Ordinary Shares on each of the said five trading days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share;

“**Shares**” includes, for the purposes of Ordinary Shares comprised in any issue, distribution, offer or grant pursuant in clauses (F)(a)(ii), (iii), (iv), (v) and (vi) above, any such shares of the Company as, when fully paid, shall be Ordinary Shares; and

“**rights**” includes rights in whatsoever form issued.

- (c) If the Conversion Price is adjusted with effect (retroactively or otherwise) from a date on or before the date on which the names of the holders of Preference Shares whose Preference Shares are converted into Ordinary Shares pursuant hereto or such other persons as they may direct are entered into the register of holders of Ordinary Shares of the Company and such entitlement of holders of Preference Shares were arrived at on the basis of unadjusted Conversion Price, the Company shall pay to such holders of Preference Shares the nominal value of such number of Ordinary Shares (“**Additional Shares**”) which would have been required to be issued on conversion of such Preference Shares if the relevant adjustment had been given effect to as at the date of conversion, and shall pay up in full with such amount the nominal value of the Ordinary Shares as shall be allotted and issued to such holders of Preference Shares or such other persons as they may direct.
- (d) The provisions of clause (F)(a) in this Article shall not apply to issue of Ordinary Shares upon conversion of the Preference Shares or repurchase or redemption of the Preference Shares in accordance with the provisions of this Article.
- (e) Notwithstanding the provisions of clause (F)(a) in this Article, in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the provisions, the Company may appoint the an independent financial adviser, to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the independent financial adviser appointed by the Company shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time as shall be certified by the independent financial adviser appointed by the Company to be in its opinion appropriate.

- (f) Any adjustment to the Conversion Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into shares of a larger nominal amount or upon a repurchase of Ordinary Shares) involve an increase in the Conversion Price.
- (g) No adjustment shall be made to the Conversion Price in any case in which the Conversion Price so reduced in accordance with the foregoing provisions would be less than its nominal value.
- (h) Whenever the Conversion Price is adjusted, the Company shall give notice to the holders of Preference Shares that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof).

(G) AS REGARDS REDEMPTION

The Preference Shares shall be non-redeemable.

(H) AS REGARDS LISTING

The Preference Shares will not be listed on any stock exchange.”

NOTICE OF EGM



Jin Cai Holdings Company Limited

金彩控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Jin Cai Holdings Company Limited (the “**Company**”) will be held at Edinburgh and Gloucester Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 4 May 2015 at 3:00 p.m. or at any adjournment thereof for the following purposes which will be proposed as resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 9 December 2014 (as supplemented by the first supplemental agreement dated 29 December 2014 and the second supplemental agreement dated 31 January 2015) entered into among the Company, Fast Top Investment Limited (the “**First Subscriber**”), CPE China Fund II, L.P. and CPE China Fund IIA, L.P. (the “**Second Subscriber**”), 北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)) (the “**Third Subscriber**”) and More Surplus Investments Limited (the “**Fourth Subscriber**”) and together with the First Subscriber, the Second Subscriber and the Third Subscriber, the “**Subscribers**”) in relation to the subscription (the “**Subscription**”) of 1,413,645,291 new ordinary shares of HK\$0.01 each in the capital of the Company or, in the event of the subdivision of each of the Company’s ordinary shares of HK\$0.01 each into 10 ordinary shares of HK\$0.001 each (the “**Share Subdivision**”) having taken place before completion of the Subscription Agreement (the “**Completion**”), 14,136,452,910 new ordinary shares of HK\$0.001 each in the capital of the Company (the “**New Ordinary Shares**”) and 3,336,288,490 convertible preference shares of HK\$0.01 each in the capital of the Company or, in the event of the Share Subdivision having taken place before Completion, 33,362,884,900 convertible preference shares of HK\$0.001 each in the capital of the Company (the “**Preference Shares**”, together with the New Ordinary Shares, the “**Subscription Shares**”) (a copy of the Subscription Agreement is tabled at the meeting and marked “A” by the chairman of the meeting for identification purposes) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

NOTICE OF EGM

- (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Ordinary Shares and the ordinary shares to be allotted and issued upon conversion of the Preference Shares (the “**Conversion Shares**”), the specific mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and deal with the Subscription Shares and the Conversion Shares pursuant to the Subscription Agreement be and is hereby approved; and
- (c) any Directors 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 Subscription Agreement, the allotment and issue of the Subscription Shares and the Conversion Shares and the amendment, variation or modification of the terms and conditions of the Subscription Agreement on such terms and conditions as any Directors may think fit.”
2. “**THAT** the waiver (the “**Whitewash 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 First Subscriber, the Second Subscriber, the Third Subscriber and their respective concert parties (including Zhihua Investments Limited, Maolin Investments Limited and Tenson Investment Limited) (the “**Concert Group**”) to make a mandatory general offer to acquire the shares of the Company and all other securities of the Company in issue not already owned or agreed to be acquired by the Concert Group which would arise as a result of the subscription of the New Ordinary Shares be and is hereby approved and any Directors 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 relating to, or incidental to, the Whitewash Waiver.”
3. “**THAT** the authorised share capital of the Company be increased from HK\$20,000,000 to HK\$500,000,000 divided into 466,637,115,100 ordinary shares of HK\$0.001 each and 33,362,884,900 Preference Shares of HK\$0.001 each with effect from the date of the passing of this resolution.”

NOTICE OF EGM

SPECIAL RESOLUTION

4. “**THAT** conditional upon (i) the condition precedents (other than those in relation to the passing of these resolutions) set out in the Subscription Agreement being fulfilled or waived (where applicable); and (ii) the above resolutions numbered 1, 2 and 3 as set out in this notice being passed:

(a) the memorandum of association of the Company be and is hereby amended in the following manner:

By deleting the existing Memorandum No. 7 in its entirety and substituting therefor the following new Memorandum:

7. The share capital of the Company is HK\$500,000,000 divided into 466,637,115,100 ordinary shares of HK\$0.001 each and 33,362,884,900 preference shares of HK\$0.001 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.

(b) the proposed amendments to the articles of association of the Company as set out in Appendix III of the circular of the Company dated 10 April 2015 be and are hereby approved by the Company.”

By Order of the Board
Jin Cai Holdings Company Limited
Huang Li
Chairman

Hong Kong, 10 April 2015

NOTICE OF EGM

Notes:

- i. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles and association of the Company, vote in his stead. A proxy need not be a member of the Company.
- ii. To be valid, the form of proxy together with a 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 at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- iii. Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- iv. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- v. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- vi. As at the date of this notice, the board of the Company comprises six directors, namely Ms. Huang Li and Mr. Zheng Hua as executive directors; Mr. Huang Chao as non-executive director; Mr. Zeng Shiquan, Mr. Tam Tak Kei Raymond and Professor Lam Sing Kwong Simon as independent non-executive directors.