
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Redco Properties Group Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Redco Properties Group Limited.



REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

CONNECTED TRANSACTION — THE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 40 of this circular.

A notice convening the EGM to be held at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong at 9 a.m. on 25 December 2015 is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it 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 in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

10 December 2015

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM QUAM CAPITAL	20
APPENDIX — GENERAL INFORMATION	41
NOTICE OF THE EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Announcements”	the announcements of the Company dated 2 November 2015, 19 November 2015, 25 November 2015 and 9 December 2015 in relation to, among other things, the Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong, Cayman Islands and the PRC
“Company”	Redco Properties Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Undertaking (Price Performance)”	a deed of undertaking with respect to the price performance of the Company dated 2 November 2015 executed by Mr. Wong in favour of the Subscriber in relation to the Shares held by the Subscriber on the date of the Deed of Undertaking (Price Performance)
“Deed of Undertaking (Target Profit)”	a deed of undertaking with respect to the target profit of the Company dated 2 November 2015 executed by Mr. Wong in favour of the Subscriber in relation to the Shares held by the Subscriber on the date of the Deed of Undertaking (Target Profit) which is subsequently terminated on 25 November 2015
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 9 a.m. on 25 December 2015 for the purpose of considering, and, if thought fit, to approving the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate

DEFINITIONS

“Global Universe”	Global Universe International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the grant of Specific Mandate
“Independent Financial Adviser” or “Quam Capital”	Quam Capital Limited, a licensed corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested in or involved in the Subscription Agreement and the transactions contemplated thereunder
“Jiangxi Man Wo”	江西萬和房地產開發有限公司 (JiangXi Man Wo Property Development Co., Ltd.*), a company established in the PRC with limited liability on 24 September 2004, an indirect wholly-owned subsidiary of the Company as at the date of this circular
“Jiangxi Redco Property Development”	江西力高房地產開發有限公司 (Jiangxi Redco Property Development Co., Ltd.*), a company established in the PRC with limited liability on 20 January 2010, an indirect wholly-owned subsidiary of the Company as at the date of this circular
“Jiangxi Zhengli”	江西政力房地產開發有限公司 (Jiangxi Zhengli Property Development Co., Ltd.*), a company established in the PRC with limited liability on 22 October 2013, an indirect non wholly-owned subsidiary of the Company and owned as to 26% by Jiangxi Man Wo, 25% by Jiangxi Redco Property Development and 49% by the Subscriber as at the date of this circular

DEFINITIONS

“Latest Practicable Date”	9 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Mr. Wong Yeuk Hung, the legal and beneficial owner of the entire issued share capital of Global Universe International Holding Limited, which in turn holds 45% issued share capital of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	南昌市政公用房地產集團有限公司 (Nanchang Municipal Public Real Estate Group Limited*), a company established in the PRC with limited liability
“Subscription”	subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 2 November 2015, pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for the Subscription Shares in accordance with the terms and conditions set out therein
“Subscription Price”	the subscription price of HK\$4.43 per Subscription Share

DEFINITIONS

“Subscription Shares”	175,804,661 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Times International”	Times International Development Company Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

LETTER FROM THE BOARD



REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

Executive Directors:

Mr. Huang Ruoqing (President)
Mr. Tang Chengyong
Mr. Hong Duxuan

Independent non-executive Directors:

Dr. Wong Yau Kar, David BBS, JP
Mr. Chau On Ta Yuen
Mr. Yip Tai Him
Mr. Chow Kwong Fai, Edward JP

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in the PRC:*

28th Floor, Block B,
The Rongchao Tower
No. 6003 Yitian Road
CBD, Shenzhen
People's Republic of China

*Principal place of business
in Hong Kong:*

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Hong Kong, 10 December 2015

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
THE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON**

INTRODUCTION

As set out in the Announcements, on 2 November 2015, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue Subscription Shares at the Subscription Price of HK\$4.43 per Subscription Share.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with the information, among other things, further details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement.

THE SUBSCRIPTION

On 2 November 2015, the Company and the Subscriber entered into the Subscription Agreement. The principal terms of the Subscription Agreement are set out below:

Date

2 November 2015

Parties

- (a) the Company; and
- (b) the Subscriber

Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

The Subscription Shares represent approximately:

- (i) 10.99% of the issued share capital of the Company as at the date of the Subscription Agreement; and
- (ii) 9.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this circular and the Completion Date save for the issue of such Subscription Shares).

The aggregate nominal value of the Subscription Shares will be HK\$17,580,466.10.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$4.43 per Subscription Share represents:

- (a) a discount of approximately 16.10% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 30 October 2015, being the last trading day immediately prior to the date of the Subscription Agreement; and
- (b) a discount of approximately 16.10% to the average closing price of approximately HK\$5.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The aggregate Subscription Price amounts to HK\$778,814,648.23. The aggregate Subscription Price is payable by cash at Completion.

The number of Subscription Shares and the Subscription Price were arrived at after arm's length negotiations between the Company and the Subscriber with reference to the funding requirements of the Company and the historical and prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Company has also considered all the equity fund raising activities, namely placing of new shares under specific mandates, conducted by a number of companies listed on the Main Board of the Stock Exchange during the three-month period immediately before the date of Subscription Agreement (the "Comparables").

Notwithstanding that the market capitalisation and industries of the Comparables are not entirely the same as the Company, the Company is of the view that the Comparables are relevant for the Company's consideration of the discount rate applicable to the Subscription Price as the Comparables can best reflect the prevailing market trend in relation to equity fund raising activities involving placing of new shares under specific mandates by companies listed on the Main Board of the Stock Exchange.

In light of the substantial investment by the Subscriber in the Company and the benefits of the Subscription to the Company as disclosed in this circular, the Company considers that the discount rate under the Subscription is not out of line with the market practice and the Subscription Price, representing approximately a 16.10% discount to the prevailing market price of the Share, is fair and reasonable.

LETTER FROM THE BOARD

Conditions precedent of the Subscription

Pursuant to the Subscription Agreement, Completion is conditional upon, among other things, the following conditions being fulfilled or waived:

- (a) the passing of the following resolution(s) by the Independent Shareholders at the EGM approving:
 - (i) the Specific Mandate; and
 - (ii) the Subscription Agreement and the transactions contemplated thereunder;
- (b) the listing committee of the Stock Exchange having approved the listing of, and permission to deal in, the Subscription Shares and such approval not having been revoked;
- (c) the warranties set out in the Subscription Agreement remaining true, accurate and not misleading; and
- (d) no order, judgement, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority or administration authority to restrict or prohibit the transactions contemplated under the Subscription Agreement.

None of the conditions precedent may be waived by the Subscriber, save for item (c) above which can be waived by the Subscriber. In the event that the conditions referred to above are not fulfilled or waived in full on or before 30 December 2015 or such other date as the Company and the Subscriber may agree in writing, the Subscription Agreement shall cease and terminate. Parties shall be released and discharged from their respective obligations under the Subscription Agreement, save for any antecedent breaches of the Subscription Agreement. If the long stop date of the Subscription Agreement is extended beyond 30 December 2015, the Company will comply with the requirements under Chapter 14A of the Listing Rules, including announcement and independent shareholders' approval.

Completion of the Subscription

Completion under the Subscription Agreement will take place within five (5) Business Days from the date the conditions precedent (a) and (b) as set out in the paragraph headed "Conditions precedent of the Subscription" are fulfilled, or such other date as may be mutually agreed in writing.

LETTER FROM THE BOARD

Lock-up Undertaking

The Subscriber undertakes to the Company that, without the prior written consent of the Company, it shall not, and shall procure that its associates shall not, whether directly or indirectly, at any time during one year after the Completion Date:

- (a) buy, purchase or otherwise acquire, contract or agree to buy, purchase or otherwise acquire any Shares or any option or right in relation to any Shares or any interest therein;
- (b) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares or any interest therein, or deposit any of the Subscription Shares with a depositary in connection with the issue of depositary receipts;
- (c) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Subscription Shares or any interest therein;
- (d) enter into any arrangement with the same economic effect as any transaction specified in (a), (b) or (c) above; or
- (e) offer to or agree to or announce any intention to effect any transaction specified in (a), (b), (c) and/or (d) above.

The above restrictions shall not apply in the following situations:

- (i) prior written consent from the Company has been obtained in relation to the carrying out of the activities set out in (a) to (e) above;
- (ii) the participation of the Subscriber or a nominee of the Subscriber in any rights issue, open offer or similar corporate exercise of the Company which are available to all shareholders of the Company on a pro-rata basis or accept offers made under Rule 26.1 of the Takeovers Code; or
- (iii) the ultimate beneficial shareholding of Mr. Wong in the Company falls below 30%.

Restrictions on the issue of Shares

The Company undertakes to the Subscriber that, unless with prior written consent of the Subscriber, it shall not at any time during the period of 180 days after the Completion Date, save for the Subscription Shares, allot or issue or agree to allot or issue any Shares or other securities

LETTER FROM THE BOARD

convertible into equity securities of the Issuer, or grant or agree to grant any options or rights over any Shares or other securities or enter into any swap or other arrangement that transfers any economic consequence of ownership of any Shares or offer to or agree to offer to do any of the above or have any intention to do so at an issue price lower than the Subscription Price.

The above restrictions shall not apply in the following situations:

- (a) granting of options under the share option scheme of the Company adopted on 14 January 2014 and Shares falling to be issued upon exercise of such options granted; or
- (b) undertaking any rights issue, open offer or similar corporate exercise which are available to all Shareholders on a pro-rata basis.

Undertaking by Mr. Wong

In connection with the Subscription, Mr. Wong, being the honorary chairman and the controlling shareholder of the Company, executed the Deed of Undertaking (Price Performance) and the Deed of Undertaking (Target Profit) in favour of the Subscriber, being a shareholder holding 49% interest in Jiangxi Zhengli which is a non-wholly owned subsidiary of the Company, with the remaining 51% interest indirectly held by the Company. Save for the above, Mr. Wong has no other relationship with the Subscriber.

The Deed of Undertaking (Target Profit) and the Deed of Undertaking (Price Performance) were entered into at the request of the Subscriber in order to protect its investment risks associated with the Subscription.

The arrangement contemplated under the Deed of Undertaking (Target Profit) was first initiated by the Subscriber as it was concerned about the investment risk associated with the Subscription and requested the Company to guarantee its investment return at an agreed threshold. Given the principle of equal treatment to its Shareholders, the Company did not consider it appropriate for the Company to guarantee the return. In light of the benefits of the Subscription to the Company, Mr. Wong indicated to the Company of his willingness to provide personal undertakings to the Subscriber to the same effect and such arrangement was accepted by the Subscriber. The Company has informed Mr. Wong of the following key terms of the proposed Share Subscription to allow him to assess whether to enter into the Deed of Undertaking (Price Performance) and place down his Shares:

- (a) the identity of the Subscriber, and its relationship with the Company;
- (b) the Subscriber's request for the Company to guarantee the performance of the share price, and profit of the Company as a condition to the Subscription Agreement; and
- (c) the possible implication of the Subscription on the public float of the Company, and the need for Mr. Wong, being one of the substantial Shareholders, to place down certain of his Shares to ensure the Company to be in compliance with the public float requirements under the Listing Rules upon completion of the Subscription.

LETTER FROM THE BOARD

Save for the above, the Company has not informed Mr. Wong of any other information with regards to the proposed Share Subscription.

After signing of the Share Subscription Agreement, there were further discussions between the Subscriber and Mr. Wong. After further internal assessment, the Subscriber acknowledged that its investment risk has already been sufficiently protected under the Deed of Undertaking (Price Performance) and hence has agreed to terminate the Deed of Undertaking (Target Profit).

Given Mr. Wong's role as honorary chairman of the Company, he is not involved in the day-to-day management of the Company (including its subsidiaries). As such, Mr. Wong was not involved in the initiation or the finalization of the Subscription, including the Subscription Price. His only involvement in the Subscription was his agreement to provide the Deed of Undertaking (Price Performance) and the Deed of Undertaking (Target Profit) upon the request of the Subscriber.

To the best knowledge of the Company, Mr. Wong has considered various public information including the annual reports of the Company for the two years ended 31 December 2014, the interim reports of the Company for the six months ended 30 June 2014 and 30 June 2015, various announcements issued by the Company including but not limited to the profit alert announcement of the Company dated 25 August 2015 and the performance of share price of the Company in the past few months immediately before signing of the undertakings.

Pursuant to the Deed of Undertaking (Price Performance), Mr. Wong undertakes to compensate the Subscriber by cash in full the shortfall (as defined in the Deed of Undertaking (Price Performance)) if on the first anniversary of the Completion Date, the Subscriber remains the holder of all Subscription Shares and is not in breach of its lock-up undertaking under the Subscription Agreement. The shortfall will be determined with reference to the target market price of the Shares on or about the first anniversary of the Completion Date. The target price is set at 120% of the Subscription Price. To the best knowledge, information and belief of the Company, the target price contemplated under the Deed of Undertaking (Price Performance) was determined with reference to the market price of the Shares, the Company's historical performances, business prospects and the Subscriber's expected return.

The above undertaking will become effective upon Completion. If the Subscription Agreement is terminated for any reason before Completion, the undertaking will also automatically terminate.

On the condition that the ultimate beneficial shareholding of Mr. Wong in the Company is not less than 30%, the Subscriber has undertaken that it shall not, and shall procure that each of its associates shall not, take any action or do anything which may result in the Company failing to maintain the minimum percentage of the Shares in issue to be held by the public as required under Rule 8.08(1)(a) of the Listing Rules.

To the best knowledge, information and belief of the Company, the Company confirms that all material terms of the Deed of Undertaking (Price Performance) and the Deed of Undertaking (Target Profit) have been disclosed in this circular.

LETTER FROM THE BOARD

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company considers that the Subscription will allow the Company to raise additional immediate funds at a relatively low cost. Although the Directors have considered alternative fund-raising methods, including both equity and debt financing methods, equity financing is preferred as the Company will be able to better manage its gearing ratio and reduce its financing costs as compared with debt financing. Among the various equity financing methods, the Company considers that the Subscription is preferable as it can enable the Company to leverage on the networks of the Subscriber for the development of the Company's business and enhancement of the Company's market competitiveness. Accordingly, the Directors (including the independent non-executive Directors) consider that the Subscription is in the best interest of the Company and the Shareholders as a whole.

Upon Completion, the gross and net proceeds (after deducting related costs and expenses from the Subscription which will be borne by the Company) from the Subscription are estimated to be approximately HK\$778.8 million and HK\$778.3 million, respectively. The Company intends to use the net proceeds from the Subscription for development of new projects and general working capital of the Group. Pursuant to the Subscription Agreement, the Company shall not use the proceeds for other purposes, unless with the prior written consent of the Subscriber.

- (a) In relation to the net proceeds from the Subscription, approximately 90% is intended to be used for development of new projects, including but not limited to:
- the development of the project land located in Guangzhou, the PRC pursuant to a cooperation framework agreement entered into by Redco Industrial Investment Limited, an indirect wholly owned subsidiary of the Company on 6 November 2014. As at the date of this circular, the transfer of title regarding the project land is pending completion. It is expected that completion will take place in the next six months and an amount of RMB588 million will be required to be settled upon completion;

LETTER FROM THE BOARD

- the development of the project land located in Jinan, the PRC pursuant to a cooperation framework agreement entered into by 山東力高房地產開發有限公司 (Shandong Redco Real Estate Development Co., Ltd), a wholly-owned subsidiary of the Company on 9 December 2014. As at the date of this circular, the Company has acquired the 80% registered capital in the project company in the amount of RMB10 million and has made a capital contribution to the project company in the amount of RMB70 million. The project land has also been obtained by the project company and part of the total land consideration amounting to approximately RMB160 million has been settled. It is expected that remaining land consideration of approximately RMB100 million will be funded by internal resources of the Company and will be settled by end of December 2015, and an amount of RMB50 million will be required to be settled latest by end of January 2016;
 - the development of an urban renewal project in Shenzhen, the PRC pursuant to a cooperation framework agreement entered into by Shenzhen Redco Hongye Property Development Co., Ltd., a wholly-owned subsidiary of the Company on 5 January 2015. As at the date of this circular, Shenzhen local government is in the process of carrying out relocation of existing households on the project land. It is expected that relocation will be completed and the land consideration will be required to be settled in the next six months. The exact amount of land consideration has not been committed;
 - the development of the project land located in Shenzhen, the PRC pursuant to a cooperation framework agreement entered into by 深圳市力高大道置業有限公司 (Shenzhen Redco Dadao Real Estate Co., Ltd.), an indirect non-wholly owned subsidiary of the Company on 7 August 2015. As at the date of this circular, the urban renewal project carried out by the local government and the subsequent relocation of existing households is in progress. It is expected that the project land will be launched in one to three months and an amount of approximately RMB376 million will be required to be settled six months after the launch; and
- (b) approximately 10% is intended to be used as working capital of the Group for general corporate purposes.

The approximate allocation of net proceeds to the development of new projects of the Group is determined based on the expected amount of capital to be contributed by the Group in each of the above new projects.

Based on the funding requirement of the four property projects which will represent approximately 90% of the proceeds of the Subscription, the Company considers that applying approximately 10% of the proceeds of the Subscription to the general working capital of the Company is appropriate.

LETTER FROM THE BOARD

Based on the original funding plan of the Company, the Company intends to rely on its internal resources to fund the relevant projects. Given that it is agreed with the Subscriber that the proceeds of the Subscription will be used for the development of property projects and working capital of the Company, the Company has re-directed the funding use and will apply part of the proceeds of the Subscription to fund its property projects. The Company will rely on its internal resources to fund the relevant projects if any further financing is needed. This will allow the Company more flexibility to engage in other potential transactions in future.

The Company expects that the proceeds from the Subscription cannot satisfy the Company's expected funding needs for the next 12 months. The Company expects to satisfy its funding needs by internal resources.

The Directors (including the independent non-executive Directors) consider that:

- (a) the Subscription will provide the Company with adequate funds to finance the development of new projects and to use as general working capital, while broadening its shareholder base and enhancing the Company's profile;
- (b) the Subscription will strengthen the Company's capital base and financial position while reducing the level of gearing, saving finance costs and in turn enhancing the Company's market competitiveness; and
- (c) the terms (including the Subscription Price) of the Subscription contemplated by the Subscription Agreement are fair and reasonable.

To the best of the Company's knowledge, the Subscriber considers that a subscription of new shares would better reflect its support of the Company as its funds will be injected into the Company directly and the use of funds can be specified. Therefore, the Subscriber does not accept placing of existing Shares.

LETTER FROM THE BOARD

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after Completion (assuming that there is no issue of new Shares from the Latest Practicable Date to the Completion) are as follows:

Shareholders	As at the Latest Practicable Date <i>(Note 1)</i>		Immediately after Completion without any placing arrangement by the substantial Shareholders		Immediately after Completion and completion of placing arrangement by the substantial Shareholder <i>(Note 3)</i>	
	<i>Number of Shares</i>	<i>% Number of Shares</i>	<i>Number of Shares</i>	<i>% Number of Shares</i>	<i>Number of Shares</i>	<i>%</i>
Global Universe	720,000,000	45.0	720,000,000	40.6	693,629,000	39.1
Times International	480,000,000	30.0	480,000,000	27.0	462,419,000	26.0
The Subscriber	—	—	175,804,661	9.9	175,804,661	9.9
Other public Shareholders <i>(Note 2)</i>	400,000,000	25.0	400,000,000	22.5	443,952,000	25.0
Total:	<u>1,600,000,000</u>	<u>100.0</u>	<u>1,775,804,661</u>	<u>100.0</u>	<u>1,775,804,661</u>	<u>100.0</u>

Notes:

- The number of Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at the date of the Latest Practicable Date.
- The Company has been advised that, in the event the public float falls below 25%, one or more of the substantial shareholders of the Company intends to place down some of their shares in the Company before and/or upon Completion in order to ensure the Company will have at least 25% public float at all times.
- The above table takes into account that Global Universe and Times International will place down 26,371,000 and 17,581,000 Shares, respectively before Completion.

Completion of the Subscription is not subject to completion of any placing arrangement and it is not a condition precedent to the Subscription Agreement that one or more of the substantial Shareholders are required to place down their Shares. Nonetheless, it is the intention of the Board and the substantial Shareholders that the Company will remain listed on the Stock Exchange after Completion, hence interests of the substantial Shareholders are aligned with that of the Shareholders to place down some of their Shares in order to ensure that the public float requirement would be met. The substantial Shareholders have informed the Company that each of them will place down the Shares in the following manner in order to ensure the Company will comply with the public float requirement under the Listing Rules:

- Global Universe will place down 26,371,000 Shares immediately before completion of the Subscription; and

LETTER FROM THE BOARD

- Times International will place down 17,581,000 Shares immediately before completion of the Subscription.

The substantial Shareholders have informed the Company that the Placing will be completed on or before the EGM. Following completion of the Placing and conclusion of the EGM, the Company and the Subscriber will proceed to completion of the Subscription. For the price of Shares to be placed down by the substantial Shareholders, this will be subject to commercial negotiation between the substantial Shareholders, and the potential purchasers. The Company will closely monitor the situation so that it will only proceed to completion of the Subscription after one or more of the substantial Shareholders has or have placed down the requisite number of Shares to maintain the public float of the Shares.

As a result of the above, the Company is able to ensure that the public float requirement would be met at all times upon Completion. Further announcement(s) will be made by the Company regarding the Placing and maintenance of the public float as and when appropriate.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this circular.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC.

PRINCIPAL ACTIVITIES OF THE SUBSCRIBER

The Subscriber is an integrated group principally engaged in real estate development and sales, municipal infrastructure, landscape engineering and provision of exhibition services.

The Subscriber currently holds a 49% interest in Jiangxi Zhengli. The Company holds the balance of 51% interest in Jiangxi Zhengli. The joint venture between the Company and the Subscriber was set up on 22 October 2013. As far as the Company is aware, it has always been the intention of the Subscriber to explore further opportunities for cooperation with the Company in addition to its current 49% interest in Jiangxi Zhengli. In around August 2015, the Subscriber approached Mr. Huang Ruoqing (president of the Company and an executive Director), Mr. Hong Duxuan (vice president of the Company and an executive Director) and certain senior management of Jiangxi Man Wo and explored possible cooperation opportunities with the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber currently holds a 49% interest in Jianxi Zhengli, a non-wholly owned subsidiary of the Company. The Subscriber is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for Mr. Wong and Global Universe, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than Mr. Wong and Global Universe is required to abstain from voting for the resolution to approve the Subscription at the EGM. To the best knowledge, information and belief of the Company having made all reasonable enquiries, as at the date of this circular, the Subscriber does not own any equity interest in the Company. No Director has a material interest in the Subscription. As such, no Director is required to abstain from voting on the relevant board resolution to approve the Subscription.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the grant of the Specific Mandate. The Independent Financial Adviser was appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong at 9 a.m. on 25 December 2015 is set out on pages EGM-1 to EGM-2 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it 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 in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

As the Completion is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent, the Subscription and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed “Reasons for the Subscription” above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares.

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 40 of this circular and the information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
Huang Ruoqing
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

10 December 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
THE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON**

We refer to the circular (the “**Circular**”) dated 10 December 2015 issued by the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the grant of the Specific Mandate. Quam Capital has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 20 to 40 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix of the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder; and the Specific Mandate are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares.

Yours faithfully

For and on behalf of the

Independent Board Committee

Dr. Wong Yau Kar,
David BBS, JP

Mr. Chau On Ta Yuen

Mr. Yip Tai Him

Mr. Chow Kwong Fai,
Edward JP

Independent non-executive Directors

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder.



Quam Capital Limited

A Member of The Quam Group

10 December 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION — THE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular issued by the Company dated 10 December 2015 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 2 November 2015, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue 175,804,661 new Shares at the Subscription Price of HK\$4.43 per Subscription Share. The Subscription Shares will be allotted and issued by the Company under the Specific Mandate. According to the Letter, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules and thus the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will seek approval for the Subscription Agreement and the transaction contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP, has been formed to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent

LETTER FROM QUAM CAPITAL

Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group and Quam Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Subscription Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or any of their respective subsidiaries or associates as well as the Subscriber.

LETTER FROM QUAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of and reasons for the Subscription

1.1 *Information on the Group*

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC.

We set out below a summary of the financial information of the Group's (i) unaudited results for the six months ended 30 June 2014 and 30 June 2015 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) extracted from the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”); and (ii) audited results for the two years ended 31 December 2013 and 2014 prepared in accordance with HKFRS extracted from the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”):

	Six months ended 30 June 2015 RMB'000 (Unaudited)	Six months ended 30 June 2014 RMB'000 (Unaudited)	Year ended 31 December 2014 RMB'000 (Audited)	Year ended 31 December 2013 RMB'000 (Audited)
Revenue	1,646,835	1,282,569	3,502,804	2,984,586
Gross profit	620,820	338,023	946,257	966,127
Gross profit margin (%)	37.7	26.4	27.0	32.4
Profit before tax	488,803	235,097	703,540	829,335
Profit for the period/year	285,506	140,459	377,696	400,890

Financial results for year ended 31 December 2014 compared with those for year ended 31 December 2013

Revenue of the Group increased by approximately RMB0.5 billion, representing an increase of approximately 17.4%, from approximately RMB3.0 billion for year ended 31 December 2013 to approximately RMB3.5 billion for year ended 31 December 2014. As disclosed in the 2014 Annual Report, the increase was primarily due to a 8.0% increase in the gross floor area (“**GFA**”) delivered from the year ended 31 December 2013 to the year ended 31 December 2014, mainly attributable to the GFA delivered for a property project in Jinan, the PRC, which began to recognise revenue from sales in 2014, and the increase in the GFA delivered for a property project in Hefei, the PRC.

LETTER FROM QUAM CAPITAL

Notwithstanding the increase in revenue of the Group for year ended 31 December 2014, gross profit of the Group slightly decreased by approximately RMB19.9 million, representing a decrease of approximately 2.1%, which was mainly due to the decrease in gross profit margin of the Group from approximately 32.4% for year ended 31 December 2013 to approximately 27.0% for year ended 31 December 2014. As disclosed in the 2014 Annual Report, the lower gross profit margin for year ended 31 December 2014 were mainly caused by (i) the relatively high land acquisition costs per square meter for the abovementioned project in Jinan, the PRC, which will be positioned as high-end properties; and (ii) the increase in average construction cost per square meter was primarily due to the recognition of revenue from a project in Tianjin, the PRC, which have been marketed as high-end properties which are the townhouses and high-rise apartments situated in the seaside of Tianjin, the PRC, for which it incurred relatively high average construction costs.

Profit of the Group decreased by approximately RMB23.2 million, representing a decrease of approximately 5.8%, from approximately RMB400.9 million for year ended 31 December 2013 to approximately RMB377.7 million for year ended 31 December 2014. Such decrease was mainly attributable to (i) other gains recognised in year ended 31 December 2013 which were primarily attributable to the gains of disposal of certain subsidiaries of the Company whereas there was no such gains recorded in year ended 31 December 2014; (ii) the increase in selling and marketing expenses in the marketing promotion activities for the projects which has commenced or will commence sales in the year ended 31 December 2014 and the year ending 31 December 2015; and (iii) the increase in general and administrative expenses which was primarily due to an increase in legal and professional fee, employee benefit expenses, and office and travelling expenses.

Financial results for six months ended 30 June 2015 compared with those for six months ended 30 June 2014

Revenue of the Group increased by approximately RMB0.4 billion, representing an increase of approximately 28.4%, from approximately RMB1.3 billion for six months ended 30 June 2014 to approximately RMB1.6 billion for six months ended 30 June 2015, which was primarily due to the increase in the GFA delivered for the residential properties for projects in Nanchang, Hefei and Xiangyang, the PRC and the income generated from the sea reclamation works in Tianjin, the PRC, which was partially offset by the decrease in the GFA delivered for the project in Jinan, the PRC.

Gross profit of the Group increased by approximately RMB282.8 million, representing an increase of approximately 83.7%, from approximately RMB338.0 million for six months ended 30 June 2014 to approximately RMB620.8 million for six months ended 30 June 2015. According to the 2015 Interim Report, such increase was due to the increase of the gross profit margin which was mainly attributable to higher gross profit margin for a project in Nanchang, the PRC and the sea reclamation works in Tianjin, the PRC for the six months ended 30 June 2015.

LETTER FROM QUAM CAPITAL

Profit of the Group increased by approximately RMB145.0 million, representing an increase of approximately 103.3%, from approximately RMB140.5 million for six months ended 30 June 2014 to approximately RMB285.5 million for six months ended 30 June 2015. Such increase was due to the increase in revenue and gross profit as mentioned above.

Set out below is the extract of the consolidated statements of financial position of the Group as at 31 December 2013 and 2014 as extracted from the 2014 Annual Report, and that as at 30 June 2015 as extracted from the 2015 Interim Report, which were prepared in accordance with the HKFRS:

	As at 30 June 2015	As at 31 December 2014	As at 31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Non-current assets	293,062	299,181	285,470
Current assets	10,712,319	9,271,681	7,716,116
Total assets	11,005,381	9,570,862	8,001,586
Current liabilities	5,777,259	5,263,074	5,790,284
Total liabilities	8,767,919	7,529,388	6,850,081
Net assets	2,237,462	2,041,474	1,151,505
Gearing ratio (<i>Note</i>)	150.1%	135.3%	126.2%

Note: Gearing ratio is calculated from interest-bearing borrowings divided by total equity.

The Group's current assets mainly included completed properties held for sale, properties under development for sale, other receivables, deposits and prepayments, amounts due from related parties and cash balances. The Group's liabilities mainly included borrowings, trade and other payables, receipts in advance and amounts due to related parties. Notwithstanding total assets and net assets has been increasing from 31 December 2013 to 31 December 2014 and 30 June 2015, the total liabilities increased concurrently mainly due to the increase in the Group's borrowings. According to the 2015 Interim Report, total borrowings as at 30 June 2015 amounted to approximately RMB3.4 billion, of which approximately RMB1.2 billion were repayable within two years and approximately RMB2.2 billion were repayable between two and five years from the then balance sheet date.

LETTER FROM QUAM CAPITAL

Set out below is the extract of the consolidated statements of cash flow of the Group for the years ended 31 December 2013 and 2014 as extracted from the 2014 Annual Report and that for the six months ended 30 June 2014 and 2015 as extracted from the 2015 Interim Report, which were prepared in accordance with the HKFRS:

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014	Year ended 31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Net cash used in operating activities	(416,960)	(984,552)	(1,374,738)	(776,407)
Net cash generated from/ (used in) investing activities	328,343	(661,334)	(209,563)	799,175
Net cash generated from financing activities	393,490	1,475,256	1,707,877	102,619

The Group's principal business of property development requires substantial amount of funds to finance land costs and construction costs before the properties are available for sale. It is not uncommon for property developers to incur net cash outflow for its operating activities. As such, the Group generated funds from, included but not limited to, advance from non-controlling interests, bond issuance and bank borrowings and the gearing ratio increased from approximately 126.2% as at 31 December 2013 to 135.3% as at 31 December 2014 and further to 150.1% as at 30 June 2015, as a result, the interest paid by the Group increased by over 1.7 times from the year ended 31 December 2013 to the year ended 31 December 2014 and over 1.5 times from the six months ended 30 June 2014 to the six months ended 30 June 2015. In view of this, we concur with the Directors' view that the Subscription will be able to raise additional funding for the Group without adversely affecting gearing of the Group.

1.2 *Information on the Subscriber*

According to the Letter, the Subscriber is a company established in the PRC with limited liability and principally engaged in real estate development and sales, municipal infrastructure, landscape engineering and provision of exhibition services. As at the Latest Practicable Date, the Subscriber held a 49% interest in Jianxi Zhengli, an indirect non wholly-owned subsidiary of the Company. The Subscriber is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Company holds the balance of 51% interest in Jiangxi Zhengli. The joint venture between the Company and the Subscriber was set up on 22 October 2013. As far as the Company is aware, it has always been the intention of the Subscriber to explore further opportunities for cooperation with the Company in addition to its current 49% interest in Jiangxi Zhengli.

LETTER FROM QUAM CAPITAL

1.3 *Reasons for the Subscription and use of proceeds*

With reference to the Letter, assuming the Subscription is successfully completed, the gross and net proceeds (after deducting related costs and expenses from the Subscription which will be borne by the Company) from the Subscription are estimated to be approximately HK\$778.8 million and HK\$778.3 million, respectively. Pursuant to the Subscription Agreement, the Company shall not use the proceeds for other purposes, unless with the prior written consent of the Subscriber. In relation to the net proceeds from the Subscription. The Company intends to use the net proceeds from the Subscription for development of the new projects, including but not limited to the Projects (as defined below), and general working capital of the Group. Based on the funding requirement of the Projects (as defined below) which will represent approximately 90% of the net proceeds of the Subscription, the Company considers that applying approximately 10% of the net proceeds of the Subscription to the general working capital of the Company is appropriate. As 90% of the net proceeds are earmarked for the Group's principal activity and the remaining 10% of the net proceeds will be applied towards general working capital of the Group to allow for flexibility, we consider that the allocation of net proceeds to be appropriate.

As stated in the sub-section headed "Information on the Group" in this letter, the gross profit margin of the Group has been fluctuated, which was mainly attributable to the changes in average selling price, the land acquisition costs and construction costs. As discussed with the management of the Company, it is the Company's business strategy to improve cost effectiveness and price competitiveness of the properties to be sold by the Group and in turn enhancing the Company's market competitiveness.

We have reviewed all announcements issued by the Company over the twelve months period prior to and including the date of the Subscription Agreement (the "**Review Period**"). We consider that the Review Period is appropriate for reviewing the recent financial position of the Group which covers the issuance of the announcements relating to 2014 annual results and 2015 interim results and other major corporate actions of the Group. We have noted that the Company announced four projects in relation to the entering into of the cooperation framework agreements with other parties in relation to the development of various parcels of land in the PRC during the Review Period (the "**Projects**"). The following table sets out the summary of information of the Projects (of which further details and status of the projects are set out in the Letter):

Date of announcement	Location of the parcel of land	Consideration to be contributed by the Group for the project as stated in the respective announcement <i>RMB' million</i>
6 November 2014	Guangzhou, the PRC	630.0
9 December 2014	Jinan, the PRC	310.0
5 January 2015	Shenzhen, the PRC	15.0
7 August 2015	Shenzhen, the PRC	466.0

LETTER FROM QUAM CAPITAL

Moreover, according to the 2015 Interim Report, the Group had approximately RMB2.2 billion capital commitment as at 30 June 2015. The Subscription will provide the Company with adequate funds to finance the development of new projects and to use as general working capital without incurring additional interest expenses to the Group while broadening its shareholder base and enhancing the Company's profile. In view of the foregoing, we concur with the Directors that the Subscription is in the interests of the Company and the Shareholders as a whole.

1.4 *Other financing alternatives available to the Group*

The Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of the Circular.

As discussed with the management of the Group, we note that when formulating the terms of the Subscription, the Directors have considered various fund raising alternatives for the Group, including both equity financing and debt financing. We have enquired and were informed by the Directors that in considering debt financing alternatives, they are of the view that additional bank borrowings will increase interest burden and repayment obligations of the Group and potentially may be subject to lengthy due diligence and negotiations process as well as assets pledge by the Group.

As for equity financing, the Company has also considered proceeding for possible open offer or rights issue exercises. However, in view that (i) greater discount is normally accorded to the issue price in rights issue or open offer exercises to attract existing Shareholders to subscribe for such issues, as compared to a subscription, thus possibly resulting in a lesser amount of proceeds raised; and (ii) the implementation time for rights issue or open offer is longer compared to the time required for a subscription as it involves an offer period; and (iii) the Subscription is preferable as it can enable the Company to leverage on the networks of the Subscriber for the development of the Company's business and enhancement of the Company's market competitiveness, which the Board considered not to be in a timely manner, therefore, we concur with the Directors' view that such fund raising methods to be less appropriate for the Group as compared to the Subscription.

2. **Principal terms of the Subscription Agreement**

2.1 *Subscription Shares*

Pursuant to the Subscription Agreement, the Subscriber had conditionally agreed to subscribe for an aggregate of 175,804,661 Subscription Shares, representing (i) approximately 10.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the issue of such Subscription Shares).

LETTER FROM QUAM CAPITAL

2.2 *Subscription Price*

The Subscription Price of HK\$4.43 represents:

- (i) a discount of approximately 19.3% to the closing price of HK\$5.49 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.1% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 30 October 2015, being the last trading day immediately prior to the date of the Subscription Agreement (the “**Last Trading Day**”);
- (iii) a discount of approximately 16.1% to the average closing price of approximately HK\$5.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 17.8% to the average closing price of approximately HK\$5.39 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (v) a discount of approximately 18.3% to the average closing price of approximately HK\$5.42 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Subscription Agreement;
- (vi) a discount of approximately 3.3% to the average closing price of approximately HK\$4.58 per Share as quoted on the Stock Exchange for the Review Period; and
- (vii) a premium of approximately 163.7% to the net asset value of approximately HK\$1.68 per Share as at 30 June 2015 (based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB2,237,462,000 (equivalent to approximately HK\$2,684,954,400 by converting of RMB into HK\$ at the exchange rate of RMB1 to HK\$1.2) as at 30 June 2015 and 1,600,000,000 Shares in issue as at 30 June 2015).

The number of Subscription Shares and the Subscription Price were arrived at after arm’s length negotiations between the Company and the Subscriber with reference to, among others, the funding requirements of the Company and the historical and prevailing market prices of the Shares. The Company has also considered the discount rates offered by other listed issuers in the placing of new shares. In light of the substantial investment by the Subscriber in the Company and the benefits of the Subscription to the Company as disclosed in the Circular, the Company considers that the discount rate of the Subscription price under the Subscription is not out of line with the market practice and the Subscription Price, is fair and reasonable. The funding requirements and prevailing market prices of shares are common factors to determine the number of subscription shares and subscription price of share placements or subscriptions as disclosed by other companies listed on the Stock Exchange.

LETTER FROM QUAM CAPITAL

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose:

2.2.1 Review on Share price performance

The following table illustrates the highest and lowest closing price and the average closing price of the Shares as quoted on the Stock Exchange in each month/period during the Review Period. The Review Period covers the issuance of the 2014 Annual Report and 2015 Interim Report of the Company. During the period from 3 November 2015, being the first trading day after the Last Trading Day, to the Latest Practicable Date, the Shares were traded narrowly between HK\$5.40 and HK\$5.59. As such, we consider that the Review Period is appropriate for our analysis purpose.

Month/period	Highest daily closing price for each month/period (HK\$)	Lowest daily closing price for each month/period (HK\$)	Number of trading days in each month/period	Average daily closing price for each month/period (HK\$)
2014				
November (from 3 November)	3.70	3.62	20	3.65
December	3.73	3.54	21	3.64
2015				
January	3.92	3.71	21	3.83
February	3.80	3.59	18	3.68
March	3.91	3.84	22	3.88
April	4.52	3.88	19	4.23
May	5.64	4.40	19	5.08
June	6.10	5.14	22	5.45
July	5.45	4.35	22	5.13
August	5.61	5.22	21	5.45
September	5.52	5.15	20	5.35
October	5.86	5.24	20	5.44
Maximum closing price during the Review Period				6.10
Minimum closing price during the Review Period				3.54
Average closing price for the Review Period				4.58

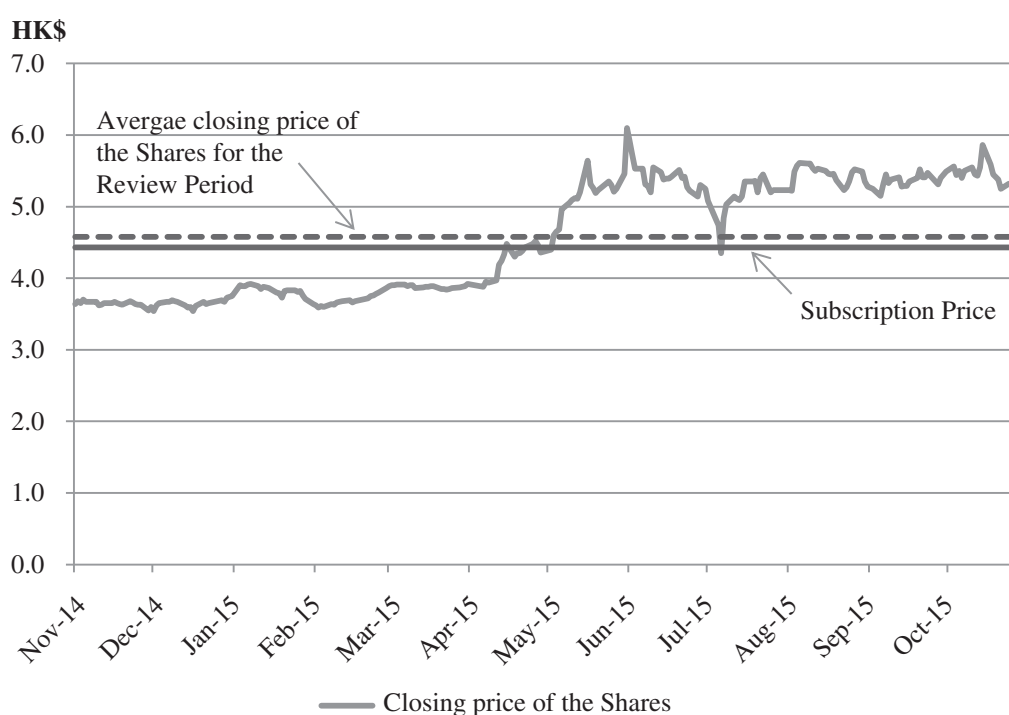
Source: Website of Stock Exchange

LETTER FROM QUAM CAPITAL

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 2 November 2015, being the date of Subscription Agreement, pending the release of the announcement dated 2 November 2015 in relation to, among others, the Subscription.

During the Review Period, the daily closing price of the Shares ranged from a low of HK\$3.54 per Share on 3 December 2014 and 18 December 2014 to a high of HK\$6.1 per Share on 2 June 2015. The Subscription Price falls within such range. In addition, the following chart highlights the movements of the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period.

Historical closing prices of the Shares



Source: Website of Stock Exchange

Based on the above, the closing price of the Shares during the Review Period generally followed an upward trend. Although the Subscription Price (i) represented a discount to the closing price of Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) was slightly lower than the average closing price of the Shares for the Review Period of approximately HK\$4.58 per Share, it was higher than the Share prices in the entire first half of the Review Period.

LETTER FROM QUAM CAPITAL

Month/period	Number of trading days in each month/period	Average daily trading volume for each month/period (the “Average Volume”) (Number of Shares)	Issued Shares at the end of the month/period (Number of Shares)	Average Volume as a percentage of the issued Shares at the end of the month/period (%)
2014				
November (from 3 November)	20	1,813,300	1,600,000,000	0.11
December	21	2,833,429	1,600,000,000	0.18
2015				
January	21	830,429	1,600,000,000	0.05
February	18	250,889	1,600,000,000	0.02
March	22	252,545	1,600,000,000	0.02
April	19	466,684	1,600,000,000	0.03
May	19	644,105	1,600,000,000	0.04
June	22	2,851,091	1,600,000,000	0.18
July	22	1,187,636	1,600,000,000	0.07
August	21	1,091,725	1,600,000,000	0.07
September	20	688,100	1,600,000,000	0.04
October	20	396,060	1,600,000,000	0.02

Source: Website of Stock Exchange

The above table illustrates that the Average Volume in each month/period from 3 November 2014 up to the Last Trading Day ranged from approximately 0.02% to approximately 0.18% of the then total number of Shares in issue at the end of the month/period. We consider that such trading volume during the Review Period was relatively thin.

Save for the aforesaid, given (i) the Subscription Price is within the range of prices of Share within the Review Period; (ii) the Subscription Price is higher than the Share prices in the entire first half of the Review Period; (iii) the Company needs additional funding to finance its continuous expansion of its businesses and capital commitment; and (iv) the relatively thin trading volume of the Shares during the Review Period, we concur with the view of the Directors that the Subscription Price is fair and reasonable in this regard.

LETTER FROM QUAM CAPITAL

2.2.2 Comparison with Comparables

For the purpose of our analysis, we have identified transactions regarding subscription of new shares under specific mandate conducted by companies listed on main board of the Stock Exchange with fixed terms announced during the three-month period immediately before the date of Subscription Agreement (the “**Comparables**”), being the latest available information to demonstrate the prevailing market practices for subscriptions under specific mandate prior to the date of the Subscription Agreement. To the best of our knowledge, we found 18 transactions that met the aforesaid criteria, which represented an exhaustive list. Notwithstanding the market capitalisation and/or industries of the Comparables are different from the Company, we consider that the Comparables and the number of Comparables identified under the criteria are fair and representative samples for comparison purpose and can reflect the prevailing market trend in relation to subscription exercises. The table below illustrates the details of the Comparables:

Date of announcement	Company name	Stock code	Premium/(discount) of subscription price over/to the share price as at the last trading day prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)	Premium/(discount) of subscription price over/to the share price as at the last five trading days prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)
2015				
5 August	Shanghai Tonva Petrochemical Company Limited	1103	(4.76)	(15.79)
24 August	Citic Telecom International Holdings Limited	1883	(7.41)	(12.02)
27 August	China Seven Star Holdings Limited	245	(89.89)	(87.66)
28 August	Convoy Financial Holdings Limited	1019	(5.41)	(16.67)
28 August	Theme International Holdings Limited	990	(77.27)	(73.12)
30 August	CT Environmental Group Limited	1363	0.98	10.61
30 August	Global Bio-Chem Technology Group Company Limited	809	(33.33)	(25.57)
31 August	Quam Limited	952	(59.93)	(55.16)
2 September	PetroAsian Energy Holdings Limited	850	(22.16)	(4.69)

LETTER FROM QUAM CAPITAL

Date of announcement	Company name	Stock code	Premium/(discount) of subscription price over/to the share price as at the last trading day prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)	Premium/(discount) of subscription price over/to the share price as at the last five trading days prior to the date of announcement or the date of agreement in relation to the respective shares subscription (%)
3 September	China Financial International Investments Limited	721	(78.26)	(77.53)
24 September	Petro-King Oilfield Services Limited	2178	14.50	11.00
25 September	China Everbright Bank Company Limited	6818	42.75	44.01
12 October	SRE Group Limited	1207	(74.36)	(73.33)
13 October	LVGEM (China) Real Estate Investment Company Limited	95	(12.35)	(10.42)
26 October	LVGEM (China) Real Estate Investment Company Limited	95	(14.06)	(14.13)
26 October	Tesson Holdings Limited	1201	(27.27)	(16.32)
26 October	Chinasoft International Limited	354	(14.11)	(15.41)
27 October	Shun Cheong Holdings Limited	650	(88.65)	(88.29)
	Minimum		(89.89)	(88.29)
	Maximum		42.75	44.01
	Average		(30.61)	(28.92)
	The Company	1622	(16.10)	(16.10)

Source: Website of Stock Exchange

As shown in the above table, out of the 18 Comparables, the subscription shares of 15 Comparables were issued at a discount to the closing price on their respective last trading day and respective last five trading days before the publication of their respective announcements or the date of the respective subscription agreements. The subscription prices of the Comparables ranged from a

LETTER FROM QUAM CAPITAL

discount of approximately 89.89% to a premium of approximately 42.75% to/over the respective closing prices of their shares on the last trading day prior to the date of the announcements or the date of agreements in relation to the respective shares subscriptions (the “**LTD Range**”), with an average discount of 30.61% among the Comparables. The subscription prices of the Comparables ranged from a discount of approximately 88.29% to a premium of approximately 44.01% to/over the respective closing prices of their shares on the last five trading days prior to the date of the announcements or the date of agreements in relation to the respective shares subscriptions (the “**LFTD Range**”), with an average discount of 28.92% among the Comparables.

The Subscription Price of HK\$4.43, which represents (i) a discount of approximately 16.1% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Day was within the LTD Range of the Comparables; (ii) a discount of approximately 16.1% to the average closing price of approximately HK\$5.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements also within the LFTD Range of the Comparables.

Based on the above and having considered in particular that:

- (i) the Subscription Price is within the range of prices of the Shares in the Review Period;
- (ii) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is within the LTD Range of the Comparables;
- (iii) the discount of the Subscription Price to the closing price of the Shares for the last five consecutive trading days prior to the Last Trading Day is within the LFTD Range of the Comparables;
- (iv) the Subscription Price represents a premium of approximately 163.7% to the net asset value of approximately HK\$1.68 per Share as at 30 June 2015 (based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB2,237,462,000 (equivalent to approximately HK\$2,684,954,400) as at 30 June 2015 and 1,600,000,000 Shares in issue as at 30 June 2015); and
- (v) the trading volume of the Shares was relatively thin during the Review Period,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM QUAM CAPITAL

2.3 *Other terms*

2.3.1 *Lock-up undertaking*

Pursuant to the Subscription Agreement, the Subscriber undertakes to the Company that, without the prior written consent of the Company, it shall not, and shall procure that its associates shall not, whether directly or indirectly, at any time during one year after the Completion Date:

- (a) buy, purchase or otherwise acquire, contract or agree to buy, purchase or otherwise acquire any Shares or any option or right in relation to any Shares or any interest therein;
- (b) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares or any interest therein, or deposit any of the Subscription Shares with a depository in connection with the issue of depository receipts;
- (c) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Subscription Shares or any interest therein;
- (d) enter into any arrangement with the same economic effect as any transaction specified in (a), (b) or (c) above; or
- (e) offer to or agree to or announce any intention to effect any transaction specified in (a), (b), (c) and/or (d) above.

The above restrictions shall not apply in the following situations:

- (i) prior written consent from the Company has been obtained in relation to the carrying out of the activities set out in (a) to (e) above;
- (ii) the participation of the Subscriber or a nominee of the Subscriber in any rights issue, open offer or similar corporate exercise of the Company which are available to all Shareholders on a pro-rata basis or accept offers made under Rule 26.1 of the Takeovers Code; or
- (iii) the ultimate beneficial shareholding of Mr. Wong in the Company falls below 30%.

LETTER FROM QUAM CAPITAL

2.3.2 Restrictions on the issue of Shares

Pursuant to the Subscription Agreement, the Company undertakes to the Subscriber that, unless with prior written consent of the Subscriber, it shall not at any time during 180 days after the Completion Date, save for the Subscription Shares, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company, or grant or agree to grant any options or rights over any Shares or other securities or enter into any swap or other arrangement that transfers any economic consequence of ownership of any Shares or offer to or agree to offer to do any of the above or have any intention to do so at an issue price lower than the Subscription Price.

As the restrictions do not apply in (i) granting of options under the share option scheme of the Company adopted on 14 January 2014 and Shares falling to be issued upon exercise of such options granted; (ii) undertaking any rights issue, open offer or similar corporate exercise which are available to all Shareholders on a pro-rata basis; and (iii) the restriction period will be 180 days after the Completion Date, which is shorter than the lock-up period of one year after the Completion Date given by the Subscriber, we consider that such terms are fair and reasonable. It is not uncommon for listed companies to have restrictions on further issuance of new shares following completion of share placements or subscriptions.

2.3.3 Undertakings by Mr. Wong

In connection with the Subscription, Mr. Wong, being honorary chairman and the controlling Shareholder, executed the Deed of Undertaking (Price Performance) in favour of the Subscriber, being a shareholder holding 49% interest in Jiangxi Zhengli which is a non-wholly owned subsidiary of the Company, with the remaining 51% interest indirectly held by the Company. Mr. Wong is not involved in the day-to-day operations of the Group. Save for the above, Mr. Wong has no other relationship with the Subscriber.

The Deed of Undertaking (Price Performance) was entered into at the request of the Subscriber in order to protect its investment risks associated with the Subscription. Mr. Wong was not involved in the initiation or the finalisation of the Subscription, including the Subscription Price. His only involvement in the Subscription was his agreement to provide the Deed of Undertaking (Price Performance) upon the request of the Subscriber.

Pursuant to the Deed of Undertaking (Price Performance), Mr. Wong undertakes to compensate the Subscriber by cash in full the shortfall (as defined in the Deed of Undertaking (Price Performance)) if on the first anniversary of the Completion Date, the Subscriber remains the holder of all Subscription Shares and is not in breach of its lock-up undertaking under the Subscription Agreement. The shortfall will be determined with reference to the target market price of the Shares on or about the first anniversary of the Completion Date. The target price is set at 120% of the Subscription Price. To the best knowledge, information and belief of the Company, the target price contemplated under the Deed of Undertaking (Price Performance) was determined with reference to the market price of the Shares, the Company's historical performances, business prospects and the Subscriber's expected return.

LETTER FROM QUAM CAPITAL

Mr. Wong also executed the Deed of Undertaking (Target Profit) in favour of the Subscriber. On 25 November 2015, the Subscriber and Mr. Wong entered into a deed of termination pursuant to which the Deed of Undertaking (Target Profit) was terminated with effect on the same date (the “**Termination Deed**”). The terms of the Subscription Agreement are not affected by the Termination Deed. Details of the Deed of Undertaking (Target Profit) are set out in the Letter.

The Deed of Undertaking (Price Performance) will become effective upon Completion. If the Subscription Agreement is terminated for any reason before Completion, the Deed of Undertaking (Price Performance) will also automatically terminate.

On the condition that the ultimate beneficial shareholding of Mr. Wong in the Company is not less than 30%, the Subscriber has undertaken that it shall not, and shall procure that each of its associates shall not, take any action or do anything which may result in the Company failing to maintain the minimum percentage of the Shares in issue to be held by the public as required under Rule 8.08(1)(a) of the Listing Rules.

It is noted that the Deed of Undertaking (Price Performance) and the Deed of Undertaking (Target Profit), which was subsequently terminated, were entered into between the Subscriber and Mr. Wong. The Company is not a party to the deeds. We consider that the Deed of Undertaking (Price Performance) was entered into for the interests of the Company and the Shareholders as a whole as this can enhance the attractiveness of the Subscription.

3. Possible dilution effect on shareholding of the Company

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion (assuming that there is no issue of new Shares from the Latest Practicable Date to the Completion Date save for the issue of such Subscription Shares):

Shareholders	As at the Latest Practicable Date		Immediately after Completion without any placing arrangements by the substantial Shareholders		Immediately after Completion and completion of placing arrangements by the substantial Shareholders	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Global Universe	720,000,000	45.0	720,000,000	40.6	693,629,000	39.1
Times International	480,000,000	30.0	480,000,000	27.0	462,419,000	26.0
The Subscriber	—	—	175,804,661	9.9	175,804,661	9.9
Other Public Shareholders	400,000,000	25.0	400,000,000	22.5	443,952,000	25.0
	<u>1,600,000,000</u>	<u>100.0</u>	<u>1,775,804,661</u>	<u>100.0</u>	<u>1,775,804,661</u>	<u>100.0</u>

LETTER FROM QUAM CAPITAL

As illustrated above, the shareholding of the existing public Shareholders would be reduced from approximately 25% as at the Latest Practicable Date to approximately 22.5% immediately after the Completion. As disclosed in the Letter, the Company has been advised that, in the event the public float falls below 25%, the substantial Shareholders intends to place down some of their Shares in order to ensure the Company will have at least 25% public float at all times.

Completion of the Subscription is not subject to completion of any placing arrangement and it is not a condition precedent to the Subscription Agreement that one or more of the substantial Shareholders are required to place down their Shares. Nonetheless, it is the intention of the Board and the substantial Shareholders that the Company will remain listed on the Stock Exchange after Completion, hence interests of the substantial Shareholders are aligned with that of the Shareholders to place down some of their Shares in order to ensure that the public float requirement would be met. The substantial Shareholders have informed the Company that each of them will place down the Shares in the following manner in order to ensure the Company will comply with the public float requirement under the Listing Rules:

- Global Universe will place down 26,371,000 Shares immediately before completion of the Subscription; and
- Times International will place down 17,581,000 Shares immediately before completion of the Subscription.

For the price of the Shares to be placed down by the substantial Shareholders, this will be subject to commercial negotiation between the substantial Shareholders and the potential purchasers. The Company will also closely monitor the situation so that it will only proceed to completion of the Subscription after one or more of the substantial Shareholders has or have placed down the requisite number of Shares to maintain the public float of the Shares. As a result of the above, the Company is able to ensure that the public float requirement would be met at all times upon Completion.

Although there will be dilution effect to the shareholding interests of the existing public Shareholders as a result of the Subscription, having taken into account the aforesaid reasons of the Subscription and the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, we consider that the dilution effect to the shareholding interest of the existing other Shareholders as a result of the Subscription is acceptable. The aforesaid placing arrangements ensure that the Company will meet the public float requirement under the Listing Rules upon Completion and thus facilitate the Subscription. Therefore, we consider that the placing arrangements are in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

4. Possible financial effects of the Subscription

4.1 *Effect on net asset value*

According to the 2015 Interim Report, net assets of the Group were approximately HK\$2,237.5 million as at 30 June 2015. As the proceeds of the Subscription is payable by cash at Completion, net assets of the Group will increase. As such, the Subscription is expected to have a positive impact on the financial position of the Group.

4.2 *Effect on working capital and liquidity*

As stated in the Letter, the net proceeds from the Subscription is estimated to be approximately HK\$778.3 million. Immediately after the Completion, the net proceeds should therefore have a positive effect on the Group's working capital and improve the Group's liquidity position.

4.3 *Effect on gearing*

Total assets of the Group will increase upon Completion but there is no change to the total liabilities of the Group as a result of the Subscription. As such, total equity of the Group is expected to increase and thus the gearing ratio of the Group will reduce immediately upon the Completion.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration, in particular that:

- the Company requires additional funding to finance the continuous expansion of its businesses and capital commitment;
- the Subscription Price is within the range of prices of the Shares in the Review Period;
- the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is within the LTD Range of the Comparables;
- the discount of the Subscription Price to the closing price of the Shares for the last five consecutive trading days prior to the Last Trading Day is within the LFTD Range of the Comparables;
- the Subscription Price represents a premium of approximately 163.7% to the net asset value of approximately HK\$1.68 per Share as at 30 June 2015 (based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB2,237,462,000 (equivalent to approximately HK\$2,684,954,400) as at 30 June 2015 and 1,600,000,000 Shares in issue as at 30 June 2015);

LETTER FROM QUAM CAPITAL

- the trading volume was relatively thin during the Review Period; and
- the dilution effect of the Subscription is acceptable,

we are of the view that the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activities under the SFO since 2007 and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion are set out as follow:

<i>Authorised</i>	<i>HK\$</i>
<u>50,000,000,000</u> Shares	<u>5,000,000,000.00</u>
 <i>Issued and fully paid</i>	
1,600,000,000 Shares	160,000,000.00
<u>175,804,661</u> Subscription Shares	<u>17,580,466.10</u>
 <u>1,775,804,661</u> Total	 <u>177,580,466.10</u>

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

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company and 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 Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Interest in the Company

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Huang Ruoqing ⁽¹⁾	Interest of controlled corporation	480,000,000(L)	30%

Notes:

- (1) 480,000,000 Shares are registered in the name of Times International. As at the Latest Practicable Date, Mr. Huang Ruoqing beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 480,000,000 Shares held by Times International pursuant to the SFO.
- (2) The letter “L” denotes long position in such securities.

As at the Latest Practicable Date, save as disclosed above, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders’ interests and short positions

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of interest	Number of Shares	Percentage of the Company’s issued share capital
Mr. Wong ^(Note 1)	Interest in controlled Corporation	720,000,000(L)	45%
Global Universe ^(Note 1)	Beneficial Owner	720,000,000(L)	45%
Ms. Sze Kai Fei ^(Note 2)	Interest of spouse	720,000,000(L)	45%
Times International ^(Note 3)	Beneficial Owner	480,000,000(L)	30%
Ms. Fan Huili ^(Note 4)	Interest of spouse	480,000,000(L)	30%

Notes:

- (1) As at the Latest Practicable Date, the entire share capital of Global Universe was held by Mr. Wong. As such, Mr. Wong was deemed to be interested in the Shares held by Global Universe.

- (2) Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.
- (3) As at the Latest Practicable Date, the entire share capital of Times International was held by Mr. Huang Ruoqing. Accordingly, Mr. Huang Ruoqing was deemed to be interested in the 480,000,000 Shares held by Times International.
- (4) Ms. Fan Huili is the spouse of Mr. Huang Ruoqing. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang Ruoqing.
- (5) The letter “L” denotes long position in such securities.

4. DIRECTORS’ COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates is and was interested in any business (other than the Group’s business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS’ SERVICE CONTRACTS

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

7. DIRECTORS’ INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

10. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion contained in this circular:

Name	Qualification
Quam Capital Limited	a licensed corporation licensed under the SFO to carry out Type 6 (advising on corporate finance activity)

Quam Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Quam Capital did not have any shareholding in any member of the Group and it does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Quam Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Group), have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Subscription Agreement;
- (b) an equity transfer framework agreement dated 30 November 2015 entered into between Mr. Li Xiaoqi and Mr. Ma Liming as vendors, and Redco Industrial Investment Limited (an indirect wholly-owned subsidiary of the Company) as purchaser, in relation to the sell and purchase of the entire equity interest in Shanghai Mingchang Property Co., Ltd. at a consideration of approximately RMB415.5 million;

- (c) a cooperation framework agreement dated 7 August 2015 entered into between, among others, an independent third party and Shenzhen Redco Dadao Real Estate Co., Ltd. (an indirect non-wholly owned subsidiary of the Company), in relation to the sale and purchase of 70% equity interest in Shenzhen Topfar Yueduhui Property Co., Ltd. and property interests at a consideration of approximately RMB466 million;
- (d) an equity transfer agreement dated 18 December 2014 entered into between Mr. Huang Peng and Redco (China) Real Estate Co., Ltd., (an indirect wholly-owned subsidiary of the Company) in relation to the sale and purchase of the entire equity interest in Jiangxi Hengfeng Property Management Company Limited at a total consideration of approximately RMB5 million;
- (e) a cooperation framework agreement dated 9 December 2014 entered into between Shangdong Redco Real Estate Development Co., Ltd. (a wholly-owned subsidiary of the Company), Shenzhen Jia Heng Yuan Real Estate Co., Ltd and Xi'an Jiang Hao Industrial Co., LTD in relation to, among others, the capital contribution to Ji'nan Jiang Hao Industrial Co., Ltd in the amount of RMB70 million and acquisition of the registered capital therein in the amount of RMB10 million from Shenzhen Jia Heng Yuan Real Estate Co., Ltd;
- (f) a cooperation agreement dated 11 November 2014 entered into by Jiangxi Redco Property Development Co., Ltd (an indirect wholly-owned subsidiary of the Company), JiangXi Man Wo Property Development Co., Ltd. and Nanchang Guozi Zhiye Company Limited in relation to, among others, the capital contribution to Jiangxi Yiju Property Development Co., Ltd. in an aggregate amount of RMB70 million; and
- (g) a cooperation framework agreement dated 6 November 2014 entered into by Redco Industrial Investment Limited (an indirect wholly-owned subsidiary of the Company) and Guangzhou CYTSOTEL Real Estate Development Co., Ltd, in relation to, among others, the capital contribution to Jiangxi Yiju Property Development Co., Ltd. in an aggregate maximum investment amount of RMB1.05 billion.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chan Hing Chau, who is a member of Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong.
- (c) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (d) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 40 of this circular;
- (d) the memorandum of association and articles of association of the Company;
- (e) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (f) this circular.

* *For identification purposes only*

NOTICE OF THE EGM



REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Redco Properties Group Limited (the “**Company**”) will be held at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong on 25 December 2015 at 9 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (i) a subscription agreement dated 2 November 2015 (the “**Subscription Agreement**”) entered into between the Company and Nanchang Municipal Public Real Estate Group Limited (the “**Subscriber**”) (a copy of the Subscription Agreement having been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 175,804,661 new shares of HK\$0.10 each in the share capital of the Company (the “**Subscription Shares**”) at a subscription price of HK\$4.43 per Subscription Share be and is hereby approved, confirmed and ratified;
- (ii) allotment and issue of the Subscription Shares by the Company be and is hereby approved; and
- (iii) any one Director, or any one Director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

By Order of the Board
Redco Properties Group Limited
Huang Ruoqing
Executive Director

Hong Kong, 10 December 2015

NOTICE OF THE EGM

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in the PRC:*

28th Floor, Block B,
The Rongchao Tower
No. 6003 Yitian Road
CBD, Shenzhen
People's Republic of China

*Principal place of business
in Hong Kong:*

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and submission of the form of proxy will not preclude a member of the Company from attending the EGM and vote in person. In such event, his form of proxy will be deemed to have been revoked.
2. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the Company's branch share registrar 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 for holding the EGM or any adjourned meeting (as the case may be).
4. The above resolutions will be put to vote at the EGM by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Huang Ruoqing, Mr. Tang Chengyong, Mr. Hong Duxuan; and the independent non-executive directors of the Company are Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP.