



SINO GOLF HOLDINGS LIMITED

順龍控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

Executive Directors:

Mr. Wong Hin Shek (*Chairman*)

Mr. Zhang Yi

Mr. Chu Chun Man, Augustine

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

Independent non-executive Directors:

Ms. Chu Yin Yin, Georgiana

Mr. Yip Tai Him

Mr. Chan Kai Wing

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business in Hong Kong:*

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1 Duddell Street

Central

Hong Kong

30 September 2016

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND
CONVERTIBLE BONDS;**

(2) APPLICATION FOR WHITEWASH WAIVER;

(3) APPOINTMENT OF DIRECTORS;

AND

(4) NOTICE OF THE SGM

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that the Company had on 8 July 2016 (after trading hours of the Stock Exchange) entered into the Subscription Agreement with the Subscriber and the Warrantors in relation to the subscription of the Subscription Shares and the Convertible Bonds.

The purpose of this circular is to:

- (a) provide further details of the Subscriptions and the Whitewash Waiver;
- (b) set out (i) the letter from the Independent Financial Adviser (namely, Royal Excalibur Corporate Finance Company Limited) to the Independent Board Committee (comprising all the independent non-executive Directors) and the Independent Shareholders; and (ii) the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after having considered the advice of the Independent Financial Adviser in relation to the Subscriptions and the Whitewash Waiver; and
- (c) give you notice of the SGM to consider and, if thought fit, approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares and the issuance of the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the election of the Subscriber's nominees as Directors, effective upon Subscription Completion.

THE SUBSCRIPTION AGREEMENT

Date	:	8 July 2016 (as amended and supplemented by an extension letter dated 29 September 2016)
Issuer	:	The Company
The Subscriber	:	Wealth Sailor Limited (金航有限公司), a company incorporated in the British Virgin Islands with limited liability
The Warrantors	:	Surplus Excel and Mr. Jiang

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

Mr. Huang, being the ultimate controlling shareholder of the Subscriber, and the Company started the preliminary discussion in relation to the Subscriptions in early June 2016, which is after the completion of the Saipan Acquisition.

The Subscriptions

The Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for:

- (i) an aggregate of 2,861,000,000 Subscription Shares (representing approximately 122.25% of the issued share capital of the Company as at the date of the Latest Practicable Date and approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at the Subscription Price of HK\$0.114 per Subscription Share; and
- (ii) the Convertible Bonds in the aggregate principal amount of HK\$74,100,000, which entitle the Subscriber to subscribe for 650,000,000 Conversion Shares at the initial Conversion Price of HK\$0.114 per Conversion Share.

The Company will allot and issue the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares under the Specific Mandate to be granted by the Independent Shareholders at the SGM by an ordinary resolution.

The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds are HK\$326,154,000 and HK\$74,100,000, respectively, which shall be payable by the Subscriber in cash upon Subscription Completion.

The Subscription Price and the initial Conversion Price, each being HK\$0.114, represent:

- (i) a discount of approximately 44.12% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 63.23% to the closing price of HK\$0.310 per Share as quoted on the Stock Exchange on 8 July 2016, being the Last Trading Day;
- (iii) a discount of approximately 59.86% to the average of the closing price per Share of approximately HK\$0.284 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 54.03% to the average of the closing price per Share of approximately HK\$0.248 for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (v) a premium of approximately 54.05% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.074 per Share as at 31 December 2015 (based on the number of issued Shares as at the Latest Practicable Date);
- (vi) a premium of approximately 52.00% over the adjusted net asset value of the Company of approximately HK\$0.075 per Share as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015 and based on the number of issued Shares as at the Latest Practicable Date); and

- (vii) a premium of approximately 128% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.05 per Share as at 30 June 2016 (based on the number of issued Shares as at the Latest Practicable Date).

The Subscription Price and the Conversion Price were arrived at after arm's length negotiation between the Company and the Subscriber with reference to:

- (i) the recent closing prices of the Shares on the Stock Exchange. The closing price of the Shares closed within a wide range from HK\$0.37 to HK\$ 0.133 and with an average closing price of approximately HK\$0.21 for the 12 months before entering into the Subscription Agreement and had particularly demonstrated huge fluctuations prior to the Last Trading Day. Despite that the Subscription Price represents a discount of approximately 46.72% to the 12 months average closing price of the Shares, given the fact that there is a huge instability of the closing price of the Shares and the recent volatility of the stock market, the Company and the Subscriber has taken into account of these factors and has arrived the Subscription Price;
- (ii) the audited consolidated net asset value of the Company as at 31 December 2015. As noted from the Company's annual report for the year ended 31 December 2015 ("AR 2015"), the consolidated net asset value of the Company as at 31 December 2015 has decreased to HK\$175,356,000 as compared to HK\$313,285,000 as at 31 December 2014. Despite that the reduction of the net asset value of the Company, the Subscription Price and the Conversion Price still represents a significant premium over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2015;
- (iii) the adjusted net asset value of the Company as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015). As reference to the circular of the Company dated 21 April 2016 in relation to the Saipan Acquisition and assuming the Saipan Acquisition was completed on 31 December 2015, the adjusted net asset value of the Company as at 31 December 2015 would be HK\$0.075, where the Subscription Price and the Conversion Price represents a significant premium over it; and
- (iv) given the business background and experience of Mr. Huang, the Board strongly believes that upon Mr. Huang becoming a controlling shareholder, Mr. Huang can contribute his prevailing business network to the Company and utilize his reputation to improve the status of the Company. Therefore, despite that the Subscription Price and the Conversion Price represent a discount to the current market price of the Shares, the Company is able to attract a promising investor who can enhance the long term business perspective of the Company, which is favourable to the Company and Shareholders as a whole.

As set out in the section headed “INFORMATION OF THE SUBSCRIBER” in this letter, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Huang has an extensive business network for being an experienced business entrepreneur and a professional investor who has invested in various Hong Kong listed companies which include Alibaba Pictures Group Limited (Stock Code: 1060), Reorient Group Limited (Stock Code: 376) and Jin Bao Bao Holdings Limited (Stock Code: 1239), the business segments of which include film and television drama series production and distribution, securities brokerage business and design, manufacture and sale of packaging products and structural components. In addition, Mr. Huang also possesses extensive experience in the hospitality industry. The Board believes that upon Mr. Huang becoming a controlling shareholder of the Company, the Group would be able to leverage on his extensive commercial network to promote and support the Group’s Saipan resort business, and his expertise in respect of hostility construction and management. Most importantly, a majority of the proceeds raised from Mr. Huang from the Subscriptions are intended to be applied for settling the 12% interest bearing promissory notes issued by the Group (the “**Promissory Notes**”) which could instantly help the Group to reduce an aggregate interest of approximately HK\$56.6 million and to improve the financial position of the Group. Also, the Group will have an immediate cash inflow of approximately HK\$136.4 million for satisfying the development costs of the 1st phase of the Development Plan (as defined below), which avoid any construction delay of the Saipan resorts which would cause additional time and monetary costs to the Group.

Upon considering the above factors, in particular the fact that the Subscription Price represents a premium to the audited and adjusted net asset value of the Company as at 31 December 2015 and the potential benefits that could be brought by the Subscriber, and taking into account the potential contribution of Mr. Huang to the Group, the Board considers that the discount level of the Subscription Price and Conversion Price are acceptable, and are fair and reasonable to the Shareholders and the Company as a whole.

The aggregate nominal value of the Subscription Shares is HK\$28,610,000, while assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.114 per Conversion Share, a total of 650,000,000 Conversion Shares will be allotted and issued and the aggregate nominal value of the Conversion Shares shall be HK\$6,500,000.

Ranking of the Subscription Shares and the Conversion Shares

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares and the Conversion Shares respectively.

Conditions of the Subscriptions

Subscription Completion is conditional upon satisfaction (or waiver) of the following conditions precedent:

- (i) the warranties and the Warrantors’ warranties under the Subscription Agreement remaining true and correct in all material respects at Subscription Completion;

- (ii) all necessary third party consents and approvals required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Subscriptions, having been obtained;
- (iii) the passing by the Independent Shareholders at the SGM of necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, including among others, the allotment and issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares falling to be issued upon conversion of the Convertible Bonds, the Whitewash Waiver and the election of the Subscriber's nominees as Directors, effective upon Subscription Completion;
- (iv) the Shares remaining listed on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement, save for any suspension in trading of not exceeding five consecutive trading days (except for any suspension for the purpose of clearing any announcement regarding the Subscriptions and the Subscription Agreement), or such longer period as the Subscriber may accept in writing;
- (v) the Stock Exchange having granted the listing of, and permission to deal in the Subscription Shares and the Conversion Shares and such approval not having been withdrawn or revoked;
- (vi) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of any condition attached to the Whitewash Waiver being granted and not having been revoked or withdrawn;
- (vii) there having been no material breach of the pre-completion covenants contained in the Subscription Agreement; and
- (viii) save as disclosed in the announcement of the Company dated 7 July 2016, there have been no material adverse effects occurred on the Group since 31 December 2015.

In relation to condition (i) set out above, the warranties and the Warrantors' warranties include representations and warranties given by the Company and the Warrantors in relation to the incorporation and status of the Company and its subsidiaries, the authority and capacity of the Company and the Warrantors to enter into and perform their respective obligations under the Subscription Agreement, the status of the Subscription Shares, the Convertible Bonds and the Conversion Shares, the Group's compliance with laws and regulations and other representations and warranties relating to the operations and information publicly disclosed by the Company.

The third party consents and approvals as mentioned in condition (ii) above include such consent and/or approval by third party(ies) as required under any lease(s) entered into by the Group as a result of change of controlling shareholder of the Group or for conducting the transactions contemplated under the Subscription Agreement.

The Subscriber may at any time waive in whole or in part and conditionally or unconditionally the above conditions (i), (ii), (iv), (vii) and (viii) in writing to the Company since such conditions do not relate to regulatory approval and the non-satisfaction of such conditions will not affect the necessary regulatory approval for implementing the Subscriptions. None of the conditions set out above is waivable by the Company. The condition as set out in (vi) is not waivable by either party. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscriptions will not proceed.

Pursuant to the subscription agreement dated 8 July 2016, in the event the above conditions not being fulfilled or (where applicable) waived by 12:00 noon on 30 September 2016 (or such other time and date as may be agreed by the Company and the Subscriber in writing) ("**Long Stop Date**"), all rights, obligations and liabilities of the parties under the Subscription Agreement shall cease and terminate and neither party shall have any claim against the other, save for any antecedent breaches of the terms thereof. On 29 September 2016, the Company, Subscriber and the Warrantors entered into an extension letter to extend the Long Stop Date to 30 November 2016 (or such later date as may be agreed between the Company and the Subscriber in writing).

As at the Latest Practicable Date, none of the conditions set out above has been satisfied (or waived).

Pre-completion Covenants

The Company and the Warrantors have given certain pre-completion undertakings and covenants regarding the Group which are customary to similar transactions to the Subscriber under the Subscription Agreement, including, among other things (i) to conduct the business of the Group in the ordinary and usual course of business; (ii) not to issue or agree to issue or allot any share or loan capital of members of the Group, or any options or securities which are convertible or exchangeable into share or loan capital of members of the Group; (iii) not to carry out any capitalisation issue or any other reorganisation of share capital of members of the Group; (iv) not to declare, authorise, make or pay any dividend or other distribution or reduce, purchase or redeem any part of the paid-up share capital of members of the Group; and (v) not to alter the composition of the board of directors of members of the Group unless pursuant to the Subscription Agreement (other than due to any resignation, death, illness or incapacitation of any individual), from the date of the Subscription Agreement up to Subscription Completion.

Completion of the Subscriptions

Subscription Completion shall take place at 4:00 p.m. on the fifth Business Day after the fulfillment of the conditions set out in the Subscription Agreement (or any other date as agreed by the Company and the Subscriber in writing).

Warrantors' Lock-up Undertaking

On 8 July 2016, the Warrantors executed a deed of undertaking (the “**Warrantors' Lock-up Undertaking**”) in favour of the Subscriber pursuant to which each of Mr. Jiang and Surplus Excel has undertaken and covenanted with the Subscriber that, without the prior written consent of the Subscriber, they shall not, whether directly or indirectly, at any time during the period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking:

- (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any Shares held by Surplus Excel and Mr. Jiang; or
- (b) enter into any swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party of any of the economic benefits of ownership of the Shares held by Surplus Excel and Mr. Jiang.

Furthermore, Mr. Jiang has given a similar lock-up undertaking in respect of his holdings in Surplus Excel in favour of the Subscriber for a period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking.

The purposes of the Warrantors' Lock-up Undertaking are to ensure that the Warrantors will have the necessary financial backing to satisfy any breach of the representations and warranties and pre-completion undertakings and covenants that they have given in favour of the Subscriber under the Subscription Agreement. If there is a termination of the Subscription Agreement, the Warrantors' Lock-up Undertaking shall automatically terminate and cease to have any binding effect on the Warrantors.

The Subscriber's Lock-up Undertaking

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that, without the prior consent of the Company, it shall not, whether directly or indirectly, in the period commencing on the Completion Date and ending on the date which is twelve (12) months from the Completion Date, sell or enter into agreement to sell any of the Subscription Shares which will result in the Subscriber ceasing to hold, whether directly or indirectly, 50% or more of the issued share capital of the Company.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

Principal terms of the Convertible Bonds

Principal amount:	HK\$74,100,000
Maturity date:	The fifth anniversary of the date of issue of the Convertible Bonds.
Interest:	The Convertible Bonds will not bear any interest.
Conversion rights:	<p>The bondholders will have the right, during the period commencing from the date of issue of the Convertible Bonds up to the close of business in Hong Kong on the Maturity Date to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK\$100,000 and integral multiples of HK\$100,000 or the whole outstanding principal amount of the Convertible Bonds) into Conversion Shares at the Conversion Price (subject to adjustments).</p> <p>No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if the conversion would result in the Company breaching the minimum public float requirement under Rule 8.08 of the Listing Rules and such breach is not curable at the time of the conversion.</p> <p>The Conversion Shares will in all respects rank pari passu with the Shares in issue on the relevant registration date.</p>
Conversion Price:	The initial Conversion Price shall be HK\$0.114 per Conversion Share subject to adjustment provisions as summarised below.
Anti-dilution adjustments:	<p>The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:</p> <ul style="list-style-type: none">(a) consolidation, sub-division or reclassification of the Shares;(b) capitalisation of profits or reserves;(c) capital distribution to the Shareholders;

- (d) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue or grant and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue or grant;
- (e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) issue (other than as mentioned in paragraph (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant of (other than as mentioned in paragraph (d) above) options, warrants or other rights to subscribe for, or purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue;

- (g) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (g), the issue wholly for cash in paragraphs (d), (e) and (f) of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription at a consideration per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue of such securities and (ii) the Conversion Price in effect on the date of the announcement of the terms of the issue of such securities;
- (h) when the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (g) above (other than in accordance with the terms of such securities) are modified so that the consideration per Share is less than the higher of (i) 80% of the market price on the date of the announcement of the proposals for such modification and (ii) the Conversion Price then in effect on the date of the announcement of the proposals for such modification;
- (i) if the Company or any bondholder determines that a downward adjustment should be made to the Conversion Price as a result of one (1) or more events or circumstances not referred to in paragraphs (a) to (h), the Company or such bondholder shall, at the costs and expenses of the Company, consult an independent bank of international repute (acting as an expert) to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect.

Save as disclosed above, there are no other events which may lead to adjustments to the Conversion Price.

Transferability:

A Convertible Bond may be transferred to another person provided, however, that (a) where not all of the Convertible Bonds then held by the bondholder are being transferred, the aggregate principal amount of the Convertible Bonds so transferred shall be at least HK\$100,000 and integral multiples of HK\$100,000, and (b) if the transfer is not to a bank, financial institution or other financiers for financing purpose of the bondholder, the prior consent of the Company shall have been obtained (such consent not to be unreasonably withheld or delayed and shall be deemed to have been given unless the Company has expressly refused such consent within five (5) Business Days of the bondholder's request).

Events of default:

If any of the following events occurs, the Convertible Bonds shall on the giving of notice in writing by the bondholder to the Company become due and payable at the Early Redemption Amount (as defined hereinafter):

- (a) a default is made by the Company in the payment of any principal, premium or any other amount due in respect of the Convertible Bonds on its due date of payment (except where failure to pay is caused solely by administrative or technical error and payment is made within three (3) Business Days of its due date);
- (b) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of seven (7) Business Days;

- (c) the occurrence of any event or circumstance which could reasonably likely to result in a material adverse effect to the business, operations, business results or financial condition or prospects of the Group taken as a whole;
- (d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds (other than those referred to in paragraphs (a) to (c) above), which default is incapable of remedy or, if capable of remedy, is not remedied within 7 days after written notice of such default shall have been given to the Company by a bondholder;
- (e) the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Company; an administrator or liquidator of the Company, or the whole or any part of the assets and revenue of the Company is appointed and such appointment is not discharged or stayed within 60 days;

- (f) any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of any Subsidiary; an administrator or liquidator of any Subsidiary or the whole or any part of the assets and revenue of any Subsidiary is appointed and such appointment is not discharged or stayed within 60 days (other than in respect of a solvent liquidation);
- (g) any judgment or order for the payment of money in excess of HK\$1,000,000 or the equivalent thereof (for each judgment or order) or HK\$10,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary and is not discharged for a period of 30 days following such judgment (or such longer period as the Company and the bondholders may agree) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (h) any judgment or order for the payment of money in excess of HK\$10,000,000 or the equivalent thereof (for each judgment or order) or HK\$20,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary;

- (i) (i) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition have occurred equals or exceeds HK\$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- (j) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its Subsidiaries, and is not discharged or stayed within 60 days;
- (k) an order is made or an effective resolution passed for the liquidation, winding up, dissolution, judicial management or administration of the Company or any of its Subsidiaries or the Company or any of its Subsidiaries ceases or threatens to cease to carry on all or a material part of its business;

- (l) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Company or any of its Subsidiaries (as the case may be), and is not discharged within 60 days;
- (m) it is or will become unlawful for the Company to perform or comply with anyone or more of its obligations under the Convertible Bonds;
- (n) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Subsidiaries;
- (o) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds; (ii) to ensure that these obligations are legally binding and enforceable; and (iii) to make the Convertible Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or
- (p) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing conditions.

Early Redemption Amount = outstanding principal amount of such Convertible Bond \times (1.10)^N where:

N = a fraction the numerator of which is the number of calendar days between the date of issue of the Convertible Bonds and the date of redemption of such amount and the denominator of which is 365.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an investment holding company incorporated in the British Virgin Islands. Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber, indirectly holding 100% of the issued share capital of the Subscriber through his wholly-owned company, Prominent Victory Limited. The Subscriber, Prominent Victory Limited and Mr. Huang are Independent Third Parties and none of them has any relationships with any connected persons of the Company. As at the Latest Practicable Date, none of the Subscriber, Prominent Victory Limited or Mr. Huang owns any Shares.

Mr. Huang is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the Latest Practicable Date, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 6.63% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Reorient Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Reorient Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of the Stock Exchange. Mr. Huang is the chairman of Damo Gold Ocean Group Limited (大漠金海集團有限公司), the chairman of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd. (新亞太投資控股公司).

Mr. Huang noticed from the public disclosure of the Company that the Company may need funding for the Saipan Acquisition. Hence, Mr. Huang approached the Company and communicated his interest in subscribing for new shares in the Company. Mr. Huang has extensive experience in developing and operating hotel resorts. In 2005, Mr. Huang founded Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店), which commenced business in 2007. Mr. Huang was engaged in the construction and operation of Pattra Resort Guangzhou from 2005 until his disposal of the hotel in 2010.

Mr. Huang, being the ultimate beneficial owner of the Subscriber, and the Company started the preliminary discussion in relation to the Subscriptions in early June 2016, which is after the completion of the Saipan Acquisition. In addition, Mr. Huang is independent of and not a party acting in concert with Top Force and its ultimate beneficial owner.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

Upon Subscription Completion, the Subscriber will become the controlling Shareholder (as defined under the Listing Rules) and the largest Shareholder of the Company. The Subscriber intends to continue the principal businesses of the Group and maintain the listing status of the Company on the Stock Exchange following Subscription Completion. Meanwhile, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business

developments of the Group, and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, the Subscriber has not entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion or restructuring of the Group's businesses.

As at the Latest Practicable Date, the Company has not identified any investment opportunities and the Company intends to carry on and has no plan to downsize the Group's existing businesses.

The Subscriber has no intention to make major changes to the continued employment of the employees of the Group. The Subscriber does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of the assets or business of the Group after Subscription Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion or restructuring of the Group's business operations materialises after Subscription Completion.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Company is incorporated in Bermuda as an exempted company with limited liability, the issued Shares of which are listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and trading of golf equipment, golf bags and other accessories.

The gross proceeds from the Subscriptions would amount to approximately HK\$400,254,000. The net proceeds, after taking into account the estimated expenses in relation to the Subscriptions, are estimated to be approximately HK\$397,254,000, representing a net issue price of approximately HK\$0.113 per Subscription Share and Conversion Share. The Company intends to apply the net proceeds of (i) approximately HK\$235,700,000 for the settlement of the 12% interest bearing Promissory Notes issued by the Group in May 2016 with the principal amount of HK\$235,700,000 for the Saipan Acquisition; (ii) approximately HK\$136,400,000 for the development costs of the 1st phase of the Development Plan (as defined below); and (iii) the remaining net proceeds of approximately HK\$25,154,000 as the general working capital of the Group.

The table below summarises the breakdown of the intended use of proceeds on the 1st phase of the Development Plan (as defined below) and the estimated timeline for the use of the net proceeds.

Intended use of net proceeds on the 1st phase of the Development Plan (as defined below)	Approximate amount of spending	Estimated time period for the usage
Conceptual design, schematic design, detailed design in relation to the resort	HK\$8.2 million	October 2016
Documentation work for tender/construction	HK\$4.1 million	December 2016
Applying construction permit	HK\$2.6 million	February 2017
Tender process	HK\$2.7 million	May 2017
Construction of on-site infrastructure/utilities	HK\$40.7 million	August 2017
Construction of buildings/facilities	HK\$68.5 million	September 2017
Resort testing and commissioning	HK\$7.0 million	August 2018
2 months trial operation and improvement work	HK\$2.6 million	October 2018
Total use of proceeds	<u>HK\$136.4 million</u>	

The Promissory Notes are unsecured and at an interest rate of 12% per annum and the maturity date is the 2nd anniversary of the issuance date (i.e. May 2018). It is estimated by the Board that the aggregate interests of the Promissory Notes until the maturity date will be approximately HK\$56.6 million. As disclosed in the April Circular (as defined below), there are four phases of the Development Plan (as defined below) and as at the Latest Practicable Date, the actual design and plan for the second to fourth phases of the Development Plan are uncertain. In order to make sure the Group has the financial capability to drive the remaining of the Development Plan forward in the future, the Company is of the view that it is commercially wise to settle the Promissory Notes early to avoid further interest payment and to improve the existing financial position of the Group. In addition, the Board is of the view that the early settlement of Promissory Notes will enable the Company to enter into other debt financing arrangements on more favourable terms to the Group.

References are made to (i) the announcements of the Company dated 2 February 2016, 5 April 2016 and 16 May 2016; and (ii) the circular of the Company dated 21 April 2016 (the “**April Circular**”) in relation to the Saipan Acquisition which comprises twelve land parcels and with a total site area of approximately 79,529 square metres (the “**Properties**”). As stated in the April Circular, the development of the hotel resorts and/or timeshare condominiums on the Properties will be constructed in four phases (the “**Development Plan**”). For the 1st phase of the Development Plan, the Company will construct, on land parcel nine with a site area of approximately 9,352 square metres, a 3-star 8-storey timeshare condominium resort comprising 80 room units with a gross floor area of 8,000 square metres. In addition, the

condominium resort will feature a pitch and putt practice golfing facilities, an electronic indoor golf simulator, a golf-pro shop, a health and wellness spa, bars and restaurants, conference facility and a swimming pool and also situates in close proximities to the golf courses on the island. For the 1st phase of the Development Plan, it is expected that the opening time will be around the 4th quarter of 2018 and its development cost is preliminarily estimated to be approximately US\$17.6 million (equivalent to approximately HK\$136.4 million). On 27 September 2016, the Company entered into a letter of intent with Imperial Pacific International Holdings Limited (Stock code: 1076) ("**Imperial Pacific**"), the developer of the casino in Saipan Island, that upon the completion of the 1st phase of the Development Plan, Imperial Pacific intends to lease 40 rooms of the resort under the 1st phase of the Development Plan on a contractual basis with a term of 5 years upon completion of resort ("**Imperial Pacific Leasing**") for the purpose of accommodating the Imperial Pacific casino's visitors and senior management. It is preliminary estimated that the (i) room rate offers to Imperial Pacific Leasing shall not exceed 70% of the room rate offers to public; (ii) Imperial Pacific shall settle the annual leasing amount of the Imperial Pacific Leasing at the beginning of each year; (iii) the room rate under the Imperial Pacific Leasing shall be reviewed annually; and (iv) Imperial Pacific shall be responsible for the settlement of the tax rate under the Imperial Pacific Leasing. Further details of the Imperial Pacific Leasing are set out in the announcement of the Company dated 27 September 2016. As at the Latest Practicable Date, no formal agreements have been entered in respect of the Imperial Pacific Leasing. The Company will make further announcements in respect of the Imperial Pacific Leasing as and when appropriate in compliance with the Listing Rules. As at the Latest Practicable Date, Imperial Pacific is not interested in any Shares or other convertible securities of the Company.

For the remaining phases of the Development Plan, as the actual plan, scope, sources of funding remain uncertain, the Board is unable to estimate the opening times of the remaining phases of the Development Plan and these will also be subject to future negotiations with all parties involved. It is advised that the required construction time for each phase of the Development Plan is estimated to be around 26 months. The Company, will depend on the trend of the tourism development of the Saipan Island in the future to draw out the forthcoming construction proposal of the second, third and fourth phases of the Development Plan and therefore, as at the Latest Practicable Date, the Company has no concrete planning on the second, third and fourth phases of the Development Plan.

Mr. Huang, being the ultimate controlling shareholder of the Subscriber, is independent of and not a party acting in concert with Top Force and its ultimate beneficial owner.

As stated in the Company's annual report for the year ended 31 December 2015, the bank balances and cash was only HK\$17,063,000 as at 31 December 2015. In light of the Group's ongoing plan to continue to leverage its resources in the Development Plan located in the Saipan Island, the Subscriptions will provide additional funds for the Group to develop its property development plan.

In light of Mr. Huang, the ultimate controlling shareholder of the Subscriber, being an experienced and reputable investor with resourceful network, the Directors (other than the independent non-executive Directors whose views are set out in the letter from the Independent

Board Committee) consider that the Subscriptions offer a good opportunity to raise additional funds to strengthen the financial position of the Group and to introduce an investor with solid background and connection to the Group which is beneficial to the Shareholders and the Group in a long term perspective.

Given the above, the Directors (other than the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that despite of the dilution effect, it is fair and reasonable to proceed with the Subscriptions.

Business and operation model for the Saipan Acquisition

Subsequent to the Saipan Acquisition, for the operation of Lucky Fountain Holdings Limited and its subsidiaries (the “**Lucky Fountain Group**”), the Board has entered into a letter of intent with Imperial Pacific in respect of the Imperial Pacific Leasing, which details are set out in the announcement of the Company dated 27 September 2016. The Board is of the view that the success of the Imperial Pacific Leasing would allow the Company to secure a considerable amount of revenue for a term of 5 years and significantly negates the uncertainty of the hospitality seasonal impact in general. The Board anticipates that if the Imperial Pacific Leasing materialises, the remaining 40 rooms of the resort will be operated under typical hotel operations to be leased to public. The Board is of the view that the world class water activities, unique golfing experience and the new established casino on the island can secure regular visitors to Saipan Island.

In addition, the Saipan Acquisition allows the Group to enjoy synergy effect with the existing business of the Group. Given the fact that the Group’s principal business activity is golf-products related and has gained certain reputation within the golf industry, the Board is of the view that being benefited from the completion of the Saipan Acquisition, the Group has been equipped with the negotiation ability to approach the golf courses in Saipan for collaboration including but not limited to (i) sponsor of international golf competition alongside with the Group’s existing customers (who are first tier golf brand names) to promote their own brands; and (ii) the promotion of golf experience and tourism industry of Saipan on an international basis as the Group’s existing customers span across the globe, which represents a means for the Group to source guests to the resorts of the Group in future. As at the Latest Practicable Date, the Board has yet approached the golf courses in Saipan for collaboration purposes.

The Lucky Fountain Group’s target customers are the travelers of the Saipan Island. The Board understands that the accommodation in Saipan achieved occupancy of 97.4% and average rate of US\$150.10, a respective 14.2% and 18.7% year-on-year growth as compared to 2014, while visitor arrivals to the island are increasing at an accelerating pace since 2012, the Board is of the view that the potential for hospitality industry in Saipan Island is positive as the market has just started to grow. In addition, given the launch of the casino in the Saipan Island from early 2017 onwards and the introduction of direct flights between Hong Kong and Saipan Island since July 2016, the Board believes that these features will further stimulate the tourism industry of Saipan Island.

As at the Latest Practicable Date, as the completion of the 1st phase of the Development Plan is estimated to be 4th quarter of 2018, the Board has yet to approach any travel agents in relation to the collaboration for the resorts/hotels under the Development Plan. The Board will liaise with the travel agents or other potential partners for cooperation purposes if and when necessary.

As at the Last Practicable Date, the Company has not (i) entered into any leasing agreement(s) in relation to the Saipan Acquisition; and (ii) entered into any agreement or arrangement and did not have any current intention of, understanding or negotiation with any third parties in respect of any acquisitions, disposals, termination or scaling down of the Group's existing businesses. As understood from the 2016 interim report of the Company, the Group's golf segment performance for the first half of 2016 was adversely impacted by the continued depression in the golf market. Notwithstanding the depression in the golf market, the Group is actively sourcing new customers including those which were previously served by other manufacturers which have closed down due to the golf market depression in order to maintain/expand the Group's market share within the golf manufacturing market. At the same time, the Group is in the progress of tooling and moulding for new golf products for 2017 which facilitates the Group to pick up sales from existing customers and possibly be able to source new customers by introducing more variety of golf products to the market. The Group will continue to adopt prudent and cost saving approach in implementing the Group's strategies within the Group's golf equipment and bags manufacturing segment to mitigate the impact of sales depression for the first half of 2016.

For the 1st phase of the Development Plan, it is projected that the Group will hire approximately 80 employees. There will be 1 general manager who is responsible for the overall daily operations of the whole resort (including the front office, housekeeping department, all the shared services and the food & beverage section) and 1 of his/her assistant, 1 executive manager for rooms operation and 1 executive manager for food & beverage department. For the resort's operational employees, there will be (i) approximately 20 front office employees, with roles including but not limited to front desk agent, concierge attendant, call center supervisor and operator; (ii) approximately 23 housekeeping employees (with the majority of them being attendants); (iii) approximately 14 employees for the operation of the shared services of the resort including the finance department, human resources and administration department and security department; and (iv) approximately 19 employees for the food & beverage department, including chefs, bartenders and servers. It is expected that majority of the employees will be hired through recruitment agents in Saipan or through referrals and the remuneration for the employees will be determined based on their performance, experience and the prevailing market salaries.

The Board believes that the Company has sufficient management expertise and qualified personnel at operational level to operate and develop the Saipan Acquisition. Upon Subscription Completion, Mr. Huang will become the controlling Shareholder and an executive Director and it is believed that Mr. Huang's experience can contribute to the Saipan Acquisition. Mr. Huang is an experienced and a well respected investor/entrepreneur who has precedent experience related to hospitality projects. Mr. Huang has extensive experience in developing and operating hotel resorts. In 2005, Mr. Huang founded Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店), which commenced business in 2007. Mr. Huang engaged in the construction and operation of Pattra Resort Guangzhou from 2005 until his disposal of the hotel in 2010. In addition, Mr. Wong Hin Shek who will be re-designed as the non-executive Director upon Subscription Completion also possesses experience in hotel-related operations.

Financing alternatives

The Company has considered alternative financing activities, including but not limited to debt financing and other forms of equity financing such as rights issue and open offer, and placing of shares of the Company.

(i) Debt financing

As stated in AR 2015, the Group had equity attributable to owners of the Company of approximately HK\$172.63 million as at 31 December 2015. The aggregate funding for the 1st phase of the Development Plan and the repayment of the Promissory Notes are approximately HK\$372.1 million which represents an excess of approximately HK\$199.47 million to the equity attributable to owners of the Company. The Board believes that without sufficient assets to provide collateral to banks or other creditors, it is not possible for the Company to borrow the required funding amount at a reasonable cost of funding.

(ii) Rights issue or open offer

The Company notices that a rights issue or open offer would give an opportunity to all Shareholders to participate in the issuance of new Shares. However this could hardly bring in strategic and experienced investors such as Mr. Huang, who is able to enhance the business status and network of the Group. Additionally, in light of the current volatile market condition, the Company is of the view that it would be difficult to procure underwriter(s) which is/are interested to underwrite a rights issue or open offer of the Company at a reasonable underwriting commission in light of the Group's current financial position. The Company considers that even if such an independent underwriter(s) is/are identified, the rights issue or open offer would involve issuance of prospectus and other administrative steps and the process could be time consuming.

(iii) Placement of new Shares

The Company believes that, given the current market volatility, price fluctuation of the Shares and the Group's financial position, it would be difficult to procure placing agent(s) to seek for independent investors with a reasonable placing commission fee and there is no guarantee the Company can raise the required funding amount through placing of Shares. Provided that now the Subscriber is willing to subscribe both the Subscription Shares and Convertible Bonds, the Company could reduce the risks of bearing high placing commission fee, long period of time for placing agent(s) to procure placees and most importantly allowing the Company to secure a consideration amount of funding.

RISK FACTORS ASSOCIATED WITH THE SAIPAN ACQUISITION

There may be changes in the Saipan Island's political, economic and social conditions, which may adversely affect the operations and development in relation to the Saipan Acquisition

There may be changes in the Saipan Island's political, economic and social conditions such as exchange control regulations, potential restrictions on foreign investment and rates or

method of taxation, which may negatively impact international travel and leisure expenditures, increase the Group's operating costs and adversely affect the operations and development of the resorts/hotels in the Saipan Island. In addition, the Group may fail to react efficiently with any new regulations imposed by the Saipan regulator which could lead to a temporary suspension of the operations or construction of the resorts/hotels contemplated in the Saipan Acquisition. The Group will continuously pay attention to the development and/or updates of the regulatory in Saipan Island to avoid the abovementioned issue.

The tourism industry in Saipan Island faces competition from various cities nearby

The tourist market in Saipan Island faces major competition from different locations such as Maldives, Phuket, Bali, Bintan, Jeju Island etc. Any launch of new tourist spots in these regions will cause an influence to the amount of visitors of the Saipan Island which could adversely affect the income of the Group. In order to maintain the competitiveness of the resorts/hotels of the Group, the Company will provide regular training sessions to the staff in order to maintain high level of services in the resorts/hotels and at the same time the Company will continue to seek for new partnerships with different travelling institutions and/or investors.

General economic conditions causing a material shrinkage in tourist industry could have a material adverse effect on the Group's business, results of operations and financial condition

The Saipan Acquisition's business is directly related to the tourist industry, which is highly cyclical and depends on, among other things, general economic conditions and consumer spending. Additionally, the willingness of tourists to travel abroad can be affected by several factors, including other countries' employment levels, changes in discretionary income due to the pace of wage growth, changes in income tax rates, the availability and cost of consumer financing and concerns about the global economy. The hospitality industry is also subject to the seasonal effect such that there is a possibility that the occupancy rate of the resorts/hotels might face pressure during the non-peak season. In light of the mentioned risks, the Company might implement the timeshare scheme on the resorts in future and/or continuously to seek corporation with other potential partners such as Imperial Pacific Leasing, so that the Group can secure down payments in advance from visitors which can reduce the income uncertainty for such period.

The Company may fail to conduct any equity and/or debt financing activities to fulfill the funding requirements under the Saipan Acquisition

As at the Latest Practicable Date, the Group only has concrete plan for the 1st phase of the Development Plan and the exact design and concept of the resorts/hotels for the remaining phases will be decided by the Group at later stage. The proceeds from the Subscriptions will be utilised on the 1st phase development and there is no guarantee that the Group will have the ability to obtain financing for the remaining phases of the Development Plan. The ability for the Group to source funding depends on a variety of factors, many of which are beyond the

Group's control, including, aspects of its financial performance, conditions of the global capital markets, credit availability, interest rates, conditions of the economy in general and lenders' perceptions of, and investors' demand for, debt and equity securities. Accordingly, the Company cannot assure that it will be able to access capital from external sources on satisfactory terms and conditions, or at all. If the Group is unable to timely carry out any funding activities, the financial condition and results of operations could be materially and adversely affected.

EFFECT ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date:

- (1) the Company had 2,340,250,000 Shares in issue; and
- (2) the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The effect of the Subscriptions on the shareholding structure of the Company immediately upon Subscription Completion and the exercise of the conversion rights attaching to the Convertible Bonds in full, is set out below (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to Subscription Completion and the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.114 per Conversion Share):

Shareholders	As at the Latest Practicable Date		Upon Subscription Completion and assuming no conversion of the Convertible Bonds		For illustrative purposes, upon Subscription Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.114 per Conversion Share	
					Number of	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Surplus Excel (Note 1)	984,754,355	42.08	984,754,355	18.93	984,754,355	16.83
Mr. Chu Chun Man, Augustine and his associates (Note 2)	51,982,295	2.22	51,982,295	1.00	51,982,295	0.89
The Subscriber	—	—	2,861,000,000	55.01	3,511,000,000	60.00
Public Shareholders	1,303,513,350	55.70	1,303,513,350	25.06	1,303,513,350	22.28
Total	<u>2,340,250,000</u>	<u>100.00</u>	<u>5,201,250,000</u>	<u>100.00</u>	<u>5,851,250,000</u>	<u>100.00</u>

Notes:

1. As at the Latest Practicable Date, Surplus Excel is owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan Kim Po; and

2. As at the Latest Practicable Date, Mr. Chu Chun Man, Augustine (“**Mr. Chu**”), an executive Director, held 46,460,520 Shares; Ms. Hung Tze Nga, Cathy, who is the spouse of Mr. Chu, was interested in 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, was interested in 4,771,775 Shares.

FUND RAISING ACTIVITY IN THE PAST TWELVE-MONTH PERIOD

The Group has not carried out any fund raising activities during the 12 months immediately preceding the date of the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold, control or has directions over any Shares, convertible securities, options, warrants or derivatives in the Company. Upon Subscription Completion and assuming that: (i) none of the Convertible Bonds are converted; and (ii) there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with them will be interested in an aggregate of 2,861,000,000 Subscription Shares, representing approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Assuming the Convertible Bonds are converted in full at the initial Conversion Price of HK\$0.114 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with them will be interested in 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, which in aggregate representing approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on the Subscriber to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders at the SGM by way of poll.

As at the Latest Practicable Date, the Company does not believe that the Subscriptions give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscriptions do not comply with other applicable rules and regulations.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Subscriber and its parties acting in concert in the Company upon the issue of the Subscription Shares to the Subscriber will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Further information on the Concert Group

As at the Latest Practicable Date:

- a. none of the members of the Concert Group has any dealings in any securities of the Company in the six-month period preceding the date of the Subscription Agreement and up to and including the Latest Practicable Date;
- b. none of the members of the Concert Group has received any irrevocable commitment to vote for or against the proposed resolution approving the Subscriptions or the Whitewash Waiver at the SGM;
- c. there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Subscriber which may be material to the Subscriptions or the Whitewash Waiver;
- d. there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Subscriptions or the Whitewash Waiver; and
- e. there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Concert Group has borrowed or lent.

CHANGE IN COMPOSITION OF THE BOARD

Proposed change of Board composition of the Company

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine and three independent non-executive Directors, namely Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.

As at the Latest Practicable Date, save for Mr. Chu Chun Man, Augustine (“**Mr. Chu**”) who was interested in 46,460,520 Shares; Ms. Hung Tze Nga, Cathy, who is the spouse of Mr. Chu, was interested 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, was interested 4,771,775 Shares, each of Mr. Wong Hin Shek, Mr. Zhang Yi, Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing did not hold any Shares.

Subject to Subscription Completion having taken place, Mr. Zhang Yi will resign as the executive Director with effect from the Completion Date and Mr. Wong Hin Shek will be re-designated as a non-executive Director. Mr. Wong Hin Shek will enter into a new appointment letter with the Company in relation to his re-designation as a non-executive Director. Save as aforesaid, no new service agreement will be entered into between the Company and any of the remaining Directors as a result of the Subscriptions.

The Subscriber proposed to nominate Mr. Huang as the chairman of the Board and an executive Director and Mr. Liu Tianmin and Mr. Tung Sung-Yuan as non-executive Directors, in each case with effect from the Subscription Completion. Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber. As at the Latest Practicable Date, none of Mr. Huang, Mr. Liu Tianmin or Mr. Tung Sung-Yuan is a Shareholder. The credentials of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan will be submitted to the nomination committee of the Company for review prior to the SGM. The appointment of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan as Directors as nominated by the Subscriber is subject to the approval by the Board and the Shareholders by ordinary resolutions at the SGM in accordance with Bye-law 86(1) of the Bye-laws. Such proposed Directors (if appointed) will be subject to re-election by the Shareholders in accordance with the Bye-laws and the Listing Rules.

The biographies of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan are set out below:

Mr. HUANG Youlong (黃有龍), aged 40, is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the Latest Practicable Date, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 6.63% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Reorient Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Reorient Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of the Stock Exchange.

Mr. Huang is a non-executive director of Reorient Group Limited (Stock Code: 376). Mr. Huang is also the chairman of Damo Gold Ocean Group Limited (大漠金海集團有限公司), the chairman of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd. (新亞太投資控股公司). Mr. Huang was the founder of Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店).

Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber. Mr. Huang is therefore deemed to be interested in the 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, representing approximately 150.03% of the issued share capital of the Company as at the Latest Practicable Date and approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares, within the meaning of Part XV of the SFO.

Mr. Liu Tianmin (劉天民), aged 55, has over eight years of experience in strategic investments and portfolio management. In March 2003, Mr. Liu was appointed as the vice president and general manager of “Digital TV System” Division, one of the divisions of Tongfang. Such division focuses on enhancing technological products and services on digital television network, and Mr. Liu was responsible for strategic investment and management of extensive portfolio of companies with business covering information technology, new media, internet, broadcasting services, telecommunication and information technologies equipment, such as Beijing Tongfang Ehero Co., Ltd (北京同方易豪科技有限公司), Beijing Tsinghua Tongfang Innovative Investment Co., Ltd. (北京同方創新投資有限公司), Know China International Holdings Limited (知網國際控股有限公司), Beijing Tongfang Legend Silicon Tech. Co., Ltd (北京同方凌訊科技有限公司) and Beijing Tongfang Gigamega Tech Co., Ltd (北京同方吉兆科技有限公司). Mr. Liu left Tongfang in 2009 and subsequently joined SB China Venture Capital (軟銀中國創業投資有限公司) as Managing Partner in November 2009. Established in 2000, SB China Venture Capital is a one of the top 10 venture capital firms in the PRC as ranked by CNBWeekly in 2009. Mr. Liu applies his previous experience in investing in technological fields in the management of the SB China Venture Capital’s related funds.

Mr. Liu is an independent non-executive director of Neo-Neon Holdings Limited (同方友友控股有限公司) (Stock code: 1868) and a non-executive director of Technovator International Limited (同方泰德國際科技有限公司) (Stock code: 1206). Neo-Neon Holdings Limited and Technovator International Limited are listed on the Main Board of the Stock Exchange. Mr. Liu is also an independent director of Taiwan Wax Company, Ltd (Stock code: 1742), a company listed on the Taiwan Stock Exchange.

Mr. Tung Sung-Yuan (董宋元), aged 43, is the founding partner of M Square Capital Partners. Mr. Tung has extensive experience in private equity, specializing in areas such as growth capital, mergers and acquisitions, restructuring. Mr. Tung possesses profound investment experience in media and retail sectors in the PRC and overseas.

From July 2008 to July 2011, Mr. Tung was the Chief Investment Officer of China Media (Tianjin) Investment Management Co., Ltd. (華人文化 (天津) 投資管理有限公司), where he managed China Media Capital (華人文化產業投資基金). Prior to being invited to join China Media (Tianjin) Investment Management Co., Ltd., Mr. Tung founded M Square Capital Partners in January 2008. Prior to founding M Square Capital Partners, Mr. Tung was a partner at Sycamore Ventures from 2001 to 2007, where he was responsible for Sycamore’s investment activities in China. Sycamore Ventures was spun-off from Citigroup Venture Capital in 1995.

Citigroup Venture Capital, founded in 1970's, is one of the earliest private equity fund management companies, and remains as a shareholder of Sycamore Asia and the largest limited partner of Sycamore's funds. Prior to joining Sycamore Ventures, Mr. Tung worked at Merrill Lynch New York's Global Debt Group specializing in structured finance products such as asset-backed securities, collateralized mortgage obligations, collateralized bond obligations, and commercial mortgage-backed security. Prior to joining Merrill Lynch, Mr. Tung began his career working in the Portfolio Management Unit at MetLife where he analyzed credit exposure, risk and returns of several fixed-income portfolios.

Mr. Tung previously served as chairman of Sakura (China) Co., Ltd., one of the PRC's largest branded kitchen appliance manufacturers. Mr. Tung was the lead arranger in the acquisition of Shaw Brothers by a consortium led by Dr. Charles Chan in 2011, whereby the consortium became the indirect single largest shareholder of Television Broadcasts Limited. Mr. Tung also was the lead executor of China Media Capital's acquisition of a controlling stake in Star China Media, which compose certain News Corporation's Asian assets, in 2010.

Mr. Tung graduated from Syracuse University, majoring in Finance.

After the appointment of the above proposed Directors, the proposed Directors shall retire and shall be eligible for re-election at least once every three years in accordance with the Bye-laws and the Listing Rules. The proposed Directors shall be entitled to an emolument to be determined by the Board following recommendation by the remuneration committee with reference to market terms and their qualifications and experience and the remuneration policy of the Company.

Save as disclosed above, none of the above proposed Directors has held any directorship in other listed companies in the past three years. Furthermore, save as disclosed above, none of the above proposed Directors has any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders nor has any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters relating to the appointment of the proposed Directors that need to be brought to the attention of the shareholders of the Company.

Further announcements will be made by the Company upon the taking effect of the appointment of the above proposed Directors. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

The SGM

The notice convening the SGM to be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 20 October 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

The SGM will be convened at which ordinary resolutions will be proposed to the Independent Shareholders to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the election of the Subscriber's nominees as Directors, effective upon Subscription Completion. Pursuant to the Listing Rules, any vote at the SGM shall be taken by poll.

As at the Latest Practicable Date, the Concert Group does not hold any Shares or other securities in the Company and accordingly is not entitled to vote on any of the resolutions to be proposed at the SGM. Only Shareholders who do not have a material interest or who are not involved in or interested in the Subscriptions or the Whitewash Waiver can vote on the relevant resolution.

Mr. Jiang and Surplus Excel, being the Warrantors, are involved in the Subscriptions and therefore, Mr. Jiang, who is interested in 984,754,355 Shares (representing approximately 42.08% of the existing issued share capital of the Company as at the Latest Practicable Date), and Mr. Jiang and Surplus Excel, each of them and their respective associates and concert parties, will abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

Mr. Chu, a Director who, together his associates, are interested in 51,982,295 Shares, representing approximately 2.22% of the existing issued share capital of the Company as at the Latest Practicable Date, had not involved in discussions and meetings with the Subscriber in relation to the Subscriptions. Accordingly, Mr. Chu and his associates will not abstain from voting. Mr. Chu intends to vote for the relevant resolutions to be proposed at the SGM.

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof.

An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Takeovers Code and the Listing Rules.

Shareholders and potential investors should note that the Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Subscriptions and the Whitewash Waiver by the Independent Shareholders at the SGM, and the granting of the Whitewash Waiver by the Executive. As such, the Subscriptions may or may not proceed.

The Executive may or may not grant the Whitewash Waiver. The Subscriptions contemplated under the Subscription Agreement will not proceed if the Whitewash Waiver is not obtained by the Subscriber.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscriptions and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscriptions and the Whitewash Waiver.

The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the appointment of new Directors to the Board are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the SGM.

FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Sino Golf Holdings Limited



Wong Hin Shek
Chairman