L. 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.

We consider the above pre-completion undertakings and covenants are on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

M. 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.

N. 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.

We consider that the lock-up arrangement demonstrates the support of the Subscriber to the Company and is favourable to the other Shareholders.

Based on the above analysis, we consider the principal terms of the Subscription Agreement discussed above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

O. Alternative financing methods

We have discussed with the Directors regarding other alternative financing methods other than the Subscriptions and were advised that the Board had considered alternative financial activities, including but not limited to debt financing, and other forms of equity financing such as rights issue and open offer, and placement of new Shares as described below:

(a) Debt financing

As stated in Annual Report 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.

(b) 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.

(c) 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 the 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.

Taking into account that (i) the additional financial burden incurred by debt financing; (ii) the difficulties in the equity financing through placement of new Shares and conducting a rights issue or an open offer; and (iii) the benefits of the Subscriptions as described above, we concur with the Directors' view that equity financing by way of the Subscriptions is comparatively a more appropriate and viable means of raising additional capital and that it is in the interest of the Company and the Independent Shareholders to raise fund through the Subscriptions.

P. Financial effects of the Subscriptions to the Group

a. Liquidity and cash position

Immediately upon the Subscription Completion, the liquidity and cash position of the Group will be improved as the Subscriptions will facilitate the Company to raise net proceeds to approximately HK$397,254,000.

b. Earnings

Save for the expenses relating to the Subscriptions, the Subscriptions will not have any immediate material impact to the earnings of the Company. However, as HK$235,700,000 of the net proceeds from the Subscriptions will be used to settle in full the 12% interest bearing Promissory Notes, the Group's annual earnings will be increased by the saving in the finance cost as a result of such settlement.

c. *Net assets value*

As stated in the Annual Report 2015, the NAV of the Group as at 31 December 2015 was approximately HK$175,356,000. Immediately upon the Subscription Completion, the NAV of the Company will be improved as the issue of the Subscription Shares under the Subscriptions which would increase the share capital and equity of the Company while the issue of the Convertible Bonds has no effect on the NAV of the Company. Accordingly, the Subscriptions will have a positive impact on the NAV of the Group.

As at the Latest Practicable Date, the number of Shares in issue was 2,340,250,000 Shares. The NAV per Share based on the NAV of the Group as at 31 December 2015 was approximately HK$0.075 per Share. Immediately after the Subscription Completion (assuming no conversion of the Convertible Bonds), the number of Shares in issue will be increased to 5,201,250,000 Shares. Assuming no changes to the Group's NAV as at 31 December 2015 other than the Subscriptions, the NAV of the Company will be increased by approximately HK$323,154,000 (i.e. the net proceeds amounting HK$397,254,000 from the Subscriptions less the principal amount of the Convertible Bonds amounting HK$74,100,000) from the proceeds of the Subscriptions to approximately HK$498,510,000 representing a NAV per Share of approximately HK$0.096 per Share. As such, the NAV per Share may increase by approximately HK$0.021 per Share. In light of this, we consider that the Independent Shareholders' interests, with reference to the NAV per Share, would be enhanced by the Subscriptions.

d. *Gearing ratio*

According to the Annual Report 2015, the gearing ratio (defined as bank borrowings, loan from a third party and obligations under finance leases less bank balances and cash divided by the shareholders' equity) of the Group as at 31 December 2015 was approximately 35.0%, dividing HK$61,431,000 by HK$175,536,000. Upon Subscription Completion, the NAV and the equity of the Group would be improved as a result of the increase in share capital and equity of the Company due to the Subscriptions as explained in point (c) above. Assuming no additional interest bearing liabilities to be raised by the Group, the gearing level of the Group will be improved upon the Subscription Completion.

Based on the above, the Subscriptions may have an overall positive effect on the Group's financial position. As such, we consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

Q. Potential dilution on shareholdings of the Company

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 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 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	2,340,250,000	100.00	5,201,250,000	100.00	5,851,250,000	100.00

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, held 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, held 4,771,775 Shares.

According to the table set out above, the public Shareholders' shareholding will be diluted from approximately 55.70% as at the Latest Practicable Date to approximately 25.06% immediately upon Subscription Completion (assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company other than the issue of Subscription Shares at Subscription Completion).

We regard this as a significant dilution to the public Shareholders, however, as mentioned above, the Subscriptions, based on the Subscription Price and the Conversion Price are above the NAV per Share of the Group as at 31 December 2015, will enhance the financial position of the Company with an increase in NAV per Share upon Subscription Completion. Also, the Subscription Price and the Conversion Price are considered to be fair and reasonable as set out in the section headed "Discussion on the Subscription Price and the Conversion Price" of above. Furthermore, the dilution is an unattractive feature in itself, but should be viewed with the current financial position and operational performance of the Group, and the benefits arising from the Subscriptions as set out in the section headed "Reasons for the Subscriptions and use of proceeds" above as a whole, which we consider fair and reasonable to the Independent Shareholders.

R. Litigation

As disclosed in the paragraph headed "Litigation" under the section headed "Appendix III – General information of the Group" in this Circular:

i. A writ of summon was issued against a subsidiary of the Company in April 2011 with a claim against the subsidiary for the sum of approximately HK$1,546,000 together with interest thereon and costs. A full defence has been filed by the subsidiary in the action in May 2011 and the subsidiary is of the view that it has reasonable chance of success in the defense.

ii. A summon from a local PRC court was served against Linyi Sino Golf Co., Ltd., a subsidiary of the Company in 2015 pursuant to which a PRC company as plaintiff claimed against Linyi Sino Golf Co., Ltd. for a sum of approximately RMB1,366,000 (equivalent to approximately HK$1,607,000) with damages of approximately RMB55,000 (equivalent to approximately HK$65,000) together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. As at the Latest Practicable Date, the proceedings are in process and the Directors are of the view that the subsidiary has reasonable chance of success in the defense.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

Based on the fact that the aggregate penalties of the litigations are minimal (given that the aggregate penalties of approximately HK$3,150,000 only represents approximately 0.64% to total assets of the Group as at 30 June 2016), we agree with the Board that the contingent liabilities will have no material impact on the financial position of the Group.

S. The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and the 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 the 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 the 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 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 the 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 shall represent 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 above 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. Mr. Jiang and Surplus Excel, who are the Warrantors, are involved in the Subscriptions and therefore, each of them and their respective associates and concert parties, will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Subscriber and parties acting in concert with it 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.

Notwithstanding the discount of the Subscription Price and the Conversion Price to the market price of the Share and the dilution effect on the shareholdings of the existing Shareholders as a result of Subscriptions, having considered that the reasons of and benefits for the Subscriptions, in particular (i) financing the Group with additional cash inflow for future business development in particular for the first phase of the Development Plan; (ii) providing the Group with the financial flexibility for any future investment opportunities in line with its existing business or in exploring new business segment for diversifying its business portfolios in particular in the field of the hotel tourism sector; (iii) the fairness and reasonableness of the Subscription Price and the Conversion Price as stated in the section headed "Discussion on the Subscription Price and Conversion Price" above, we consider that the grant of the Whitewash Waiver (the granting of which being one of the conditions precedent to the completion of the Subscriptions) is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

T. Opinion and Recommendation

Despite of the discount of the Subscription Price and the Conversion Price to the market price of the Shares and the dilution effect on the shareholdings of the existing Shareholders as a result of Subscriptions, taking into account the principal factors and reasons mentioned above, which included:

(1) the recent deteriorated and weak operational performance of the Group as indicated by a net loss of approximately HK$91.07 million for the year ended 31 December 2015 as compared to a net profit of approximately HK$8.29 million for the year ended 31 December 2014;

(2) the deteriorated financial and liquidity position as reflected by a decrease in current ratio (as defined by the current assets divided by the current liabilities) from approximately 1.55 times as at 31 December 2014 to approximately 1.16 times as at 31 December 2014;

(3) the higher cost in obtaining debt financing mainly due a substantial loss of approximately HK$91.07 million for the financial year ended 31 December 2015;

(4) the net amount of fund to be raised which is in aggregate HK$397.25 million which (i) provides the Group with additional cash resources for the full settlement of the Promissory Notes in the principal amount of HK$235.7 million which help the Group to reduce an aggregate interest of approximately HK$56.6 million; (ii) finance the Group for the first phase of the Development Plan; and (iii) additional working capital for the Group to introduce more variety of golf products to source new customers;

(5) the fairness and reasonableness of the Subscription Price and the Conversion Price as detailed above so far as the Company and the Independent Shareholders are concerned; and

(6) the Subscription Price and the Conversion Price each represents a substantial 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,

we are of the view that the Subscriptions are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited

Kevin Chan
Director