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

If you have sold or transferred all your shares in **South West Eco Development Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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SOUTH WEST ECO DEVELOPMENT LIMITED

西南環保發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

**(1) CONNECTED TRANSACTION — ISSUE OF NEW SHARES
TO A CONNECTED PERSON UNDER THE GENERAL MANDATE
(2) ISSUE OF NEW SHARES TO INDEPENDENT THIRD PARTY
UNDER THE GENERAL MANDATE
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Agent



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



A notice convening the Extraordinary General Meeting to be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:00 p.m. on Monday, 6 July 2015 is set out on pages 41 to 42 of this circular.

A form of proxy for use by the Shareholders at the Extraordinary General Meeting is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the Extraordinary General Meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

18 June 2015

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended from time to time
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
“business day(s)”	any day(s) during which Hong Kong Stock Exchange is open for trading
“BVI”	the British Virgin Islands
“CICC”	China International Capital Corporation Hong Kong Securities Limited, a registered institution is licensed by the SFC to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) of regulated activities under the SFO, appointed as the placing agent for the Share Subscriptions
“close associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	South West Eco Development Limited (西南環保發展有限公司), an exempted company incorporated in the Cayman Islands on 18 February 2011 with limited liability
“Completion Date”	10 business days after obtaining shareholder approval from the Extraordinary General Meeting
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“core connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company from time to time

DEFINITIONS

“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:00 p.m. on Monday, 6 July 2015 or any adjournment thereof (as the case may be), the notice of which is set out on pages 41 to 42 of this circular to approve the issue of new Shares under the General Mandate
“First Share Subscription Agreement”	share subscription agreement (股份認購協議) entered into between the Company as issuer and the 1st Subscriber as subscriber, pursuant to which the Company agreed to issue to the 1st Subscriber and the 1st Subscriber agreed to subscribe from the Company 50,580,000 shares in the Company in the amount of HK\$195,238,800 dated 27 May 2015
“General Mandate”	the general mandate granted to the Board at the annual general meeting of the Company held on 28 April 2015 to issue and deal with Shares up to a maximum of 20% of the aggregate number of Shares in issue as at the date of passing the ordinary resolution on the day of the aforementioned annual general meeting, i.e. up to 60,000,000 new Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the independent non-executive Directors of the Company comprising Mr. Wong Chi Wai (黃馳維), Mr. Wong Tat Yan, Paul (黃達仁) Mr. Chan Chun Yee (陳振宜)
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of issue of new Shares to the 1st Subscriber under the General Mandate
“Independent Shareholders”	Shareholders who are not required to abstain from voting on relevant resolutions to be considered at the Extraordinary General Meeting

DEFINITIONS

“Independent Third Party”	an independent third party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	16 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Second Share Subscription Agreement”	share subscription agreement (股份認購協議) entered into between the Company as issuer and the 2nd Subscriber as subscriber, pursuant to which the Company agreed to issue to and the 2nd Subscriber agreed to subscribe from the Company 9,420,000 shares in the Company in the amount of HK\$36,361,200 dated 27 May 2015
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SFC”	Securities and Futures Commission in Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Subscriptions”	the transactions under the First Share Subscription Agreement and the Second Share Subscription Agreement
“Subscription Agreements”	the First Share Subscription Agreement and the Second Share Subscription Agreement
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	50,580,000 and 9,420,000 new Shares to be subscribed by the 1st Subscriber and the 2nd Subscriber respectively pursuant to the relevant Subscription Agreements
“Supervisor(s)”	the supervisor(s) of the Company

DEFINITIONS

“Well Land”	Well Land International Limited (益能國際有限公司), a company incorporated in the BVI with limited liability on 27 May 2014, and a controlling Shareholder of the Company as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent
“1st Subscriber”	Diamond Firetail Limited, a company incorporated in the BVI with limited liability on 9 January 2015, and a connected person as at the Latest Practicable Date
“2nd Subscriber”	Mr. Lin Shuien, a natural person, is an Independent Third Party and has no other business relationship with the Group

LETTER FROM THE BOARD

SOUTH WEST ECO DEVELOPMENT LIMITED
西南環保發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

Executive Directors:

Mr. Zhuang Yuekai (莊躍凱) (*Chairman*)
Mr. Shi Zhen (施震) (*Chief Executive Officer*)
Ms. Zhao Chengmin (趙呈閩) (*Deputy Executive Officer*)

Non-executive Directors:

Ms. Wang Xianrong (王憲榕)
Ms. Wu Xiaomin (吳小敏)
Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors:

Mr. Wong Chi Wai (黃耬維)
Mr. Wong Tat Yan, Paul (黃達仁)
Mr. Chan Chun Yee (陳振宜)

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

18 June 2015

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION — ISSUE OF NEW SHARES
TO A CONNECTED PERSON UNDER THE GENERAL MANDATE**
**(2) ISSUE OF NEW SHARES TO INDEPENDENT THIRD PARTY UNDER
THE GENERAL MANDATE**
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 27 May 2015 in respect of the issue of new Shares to the 1st Subscriber and the 2nd Subscriber.

The primary purposes of this circular are to (i) provide you with information regarding certain ordinary resolutions to be proposed at the Extraordinary General Meeting to enable Shareholders to make an informed decision on whether to vote for or against those resolutions and to give you notice of the Extraordinary General Meeting; and (ii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the reasonableness and fairness of the terms and conditions of the First Share Subscription Agreement.

LETTER FROM THE BOARD

The resolutions to be proposed at the Extraordinary General Meeting, in addition to ordinary business, include (i) ordinary resolutions relating to the issue of new Shares under the General Mandate; and (ii) to give the Shareholders a notice of the Extraordinary General Meeting and other information.

On 27 May 2015, the Company entered into Subscription Agreements with each of the 1st Subscriber and the 2nd Subscriber, respectively, pursuant to which the Company has conditionally agreed to allot and issue an aggregate of 60,000,000 new Shares at a nominal value of HK\$6,000,000 (i.e. nominal value of HK\$0.1 per Share) pursuant to the General Mandate and each of the 1st Subscriber and the 2nd Subscriber has conditionally agreed to subscribe for such Shares in cash on the terms and subject to the conditions set out therein. The gross proceeds from the issue of such new Shares are approximately HK\$231,600,000. After deducting subsequent issue fee, professional fees and other expenses incidental to the Share Subscriptions, the Company estimates that the total net proceeds from the issue of new Shares would be approximately HK\$229,730,000 and the net price of each Subscription Share is approximately HK\$3.83 per Share. As at the Latest Practicable Date, the Company has not allotted and issued any Shares under the General Mandate. The issue of new Shares by the Company to the 1st Subscriber and the 2nd Subscriber are independent from each other and the approval/completion of the issue of new Shares to either subscriber will not affect the other.

The Subscription Shares represent 20% of the existing issued Shares of the Company before the completion of the Share Subscriptions and approximately 16.67% of the enlarged total issued Shares immediately following the completion of the Share Subscriptions.

The basis of determining the subscription price of HK\$3.86 per share was determined by reference to the discount rate and the placing price as quoted by others comparable companies similar in size in the market around the time of signing the Subscription Agreements.

SUBSCRIPTION AGREEMENTS

First Share Subscription Agreement

Date 27 May 2015

Parties (1) the Company as the issuer;
(2) the 1st Subscriber as the subscriber

Subscription Shares The 1st Subscriber shall subscribe for 50,580,000 Subscription Shares, representing approximately 16.86% of the existing issued Shares of the Company and, immediately following the completion of the Subscription, approximately 14.05% of the enlarged total issued Shares.

Subscription Price The subscription price is HK\$3.86 per Subscription Share has been negotiated and arrived at on an arm's length basis and by reference to the market conditions by the Company and the 1st Subscriber.

LETTER FROM THE BOARD

The subscription price represents:

- (1) a discount of approximately 10.23% to the average closing price per Share of HK\$4.30 as quoted on the Hong Kong Stock Exchange for the last five trading days up to and including 26 May 2015 (being the trading day immediately preceding the date of the First Share Subscription Agreement); and
- (2) a discount of approximately 16.45% to the closing price per Share of HK\$4.62 as quoted on the Hong Kong Stock Exchange on 27 May 2015 (being the date of the First Share Subscription Agreement).

Completion Date

10 business days after obtaining Shareholder approval from Extraordinary General Meeting

Lock-up Period

The 1st Subscriber irrevocably and unconditionally undertakes to the Company that without the prior written consent or waiver of the Company, it will not, at any time during the period of six months following the date of listing of the Subscription Shares on the Stock Exchange, sell any Subscription Shares.

Conditions

The completion of the subscription by the 1st Subscriber is subject to the satisfaction of amongst others, the following conditions:

- (a) the transactions contemplated under the First Share Subscription Agreement having complied with the applicable laws of relevant jurisdiction and the approvals, consents, clearance or waivers from all relevant governmental authorities (including but not limited to the relevant approval and regulatory authorities) having been obtained, and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the Company and the 1st Subscriber;
- (b) all the Company's warranties under the First Share Subscription Agreement remaining true and accurate in all material respects and not misleading in any respect as of the date of completion as though such representations and warranties were made on and as of the date of completion (except that any Warranties of the Company that are made as of a specified date shall be true and correct as of such specified date);

LETTER FROM THE BOARD

- (c) the Company having performed and complied in all material respects with all agreements and obligations required by the First Share Subscription Agreement to be performed or complied with by it prior to the Completion Date;
- (d) the 1st Subscriber having received a certified true copy of the resolutions of the board of Directors of the Company approving or ratifying the entering into, execution, delivery and performance of the First Share Subscription Agreement and the allotment of the Subscription Shares;
- (e) the shareholders of the Company having passed the resolutions at the general meeting approving the execution of the First Share Subscription Agreement and related ancillary documents to which it is a party and the issue and allotment of Subscription Shares to the Subscriber;
- (f) the listing committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Subscription Shares;
- (g) the 1st Subscriber's warranties remaining true and accurate in all material respects and not misleading in any material respect as of the date of completion under the First Share Subscription Agreement;
- (h) the 1st Subscriber having performed and complied in all material respects with all agreements and obligations required by the First Share Subscription Agreement to be performed or complied with by any of them prior to the Completion Date under the First Share Subscription Agreement;
- (i) the Company having obtained all necessary approvals, consents, clearance or waivers (if applicable) under the Listing Rules and any applicable laws from the regulatory authorities including the Stock Exchange and SFC in respect of the transactions contemplated under the First Share Subscription Agreement, and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the Company; and

LETTER FROM THE BOARD

- (j) all other consents, approvals, authorisations and waivers as may be required to give effect to the transactions contemplated under the First Share Subscription Agreement having been obtained and where any consent approval authorisation or waiver is subject to conditions, such conditions being fulfilled to the satisfaction of the Company in its sole and absolute opinion.

Termination

The First Share Subscription Agreement may be terminated at any time prior to its completion:

- (a) by the mutual written consent of the 1st Subscriber and the Company; or
- (b) where specific conditions precedent in the First Share Subscription Agreement are not satisfied or waived by the long stop date in the First Share Subscription Agreement, by the party for the benefit of whom the conditions precedent that are not satisfied or waived may terminate the First Share Subscription Agreement by written notice to the other party; or
- (c) where the defaulting party does not complete within the prescribed period in the First Share Subscription Agreement, the non-defaulting party may choose either to proceed for specific performance or by written notice to the other party to terminate the First Share Subscription Agreement; or
- (d) where any of the 1st Subscriber's warranties was untrue, inaccurate or misleading in a material manner as of the signing of the First Share Subscription Agreement (or would become untrue, inaccurate or misleading in a material manner if the Subscriber's warranties were repeated at completion), the Company shall be entitled by notice in writing to the other party to terminate the First Share Subscription Agreement.

LETTER FROM THE BOARD

Second Share Subscription Agreement

<i>Date</i>	27 May 2015
<i>Parties</i>	(1) the Company as the issuer; (2) the 2nd Subscriber as the subscriber
<i>Subscription Shares</i>	The 2nd Subscriber shall subscribe for 9,420,000 Subscription Shares, representing approximately 3.14% of the existing issued Shares of the Company and, immediately following the completion of the Subscription, approximately 2.62% of the enlarged total issued Shares.
<i>Subscription Price</i>	<p>The subscription price is HK\$3.86 per Subscription Share has been negotiated and arrived at on an arm's length basis and by reference to the market conditions by the Company and the 2nd Subscriber.</p> <p>The subscription price represents:</p> <ol style="list-style-type: none">(1) a discount of approximately 10.23% to the average closing price per Share of HK\$4.30 as quoted on the Hong Kong Stock Exchange for the last five trading days up to and including 26 May 2015 (being the trading day immediately preceding the date of the Second Share Subscription Agreement); and(2) a discount of approximately 16.45% to the closing price per Share of HK\$4.62 as quoted on the Hong Kong Stock Exchange on 27 May 2015 (being the date of the Second Share Subscription Agreement).
<i>Completion date</i>	10 business days after obtaining Shareholder approval from Extraordinary General Meeting
<i>Lock-up period</i>	The 2nd Subscriber irrevocably and unconditionally undertakes to the Company that without the prior written consent or waiver of the Company, it will not, at any time during the period of six months following the date of listing of the Subscription Shares on the Stock Exchange, sell any Subscription Shares.

LETTER FROM THE BOARD

Conditions

The completion of the subscription by the 2nd Subscriber is subject to the satisfaction of amongst others, the following conditions:

- (a) the transactions contemplated under the Second Share Subscription Agreement having complied with the applicable laws of relevant jurisdiction and the approvals, consents, clearance or waivers from all relevant governmental authorities (including but not limited to the relevant approval and regulatory authorities) having been obtained, and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the Company and the 2nd Subscriber;
- (b) all the Company's warranties under the Second Share Subscription Agreement remaining true and accurate in all material respects and not misleading in any respect as of the date of completion as though such representations and warranties were made on and as of the date of completion (except that any Warranties of the Company that are made as of a specified date shall be true and correct as of such specified date);
- (c) the Company having performed and complied in all material respects with all agreements and obligations required by the Second Share Subscription Agreement to be performed or complied with by it prior to the Completion Date;
- (d) the 2nd Subscriber having received a certified true copy of the resolutions of the board of Directors of the Company approving or ratifying the entering into, execution, delivery and performance of the Second Share Subscription Agreement and the allotment of the Subscription Shares;
- (e) the shareholders of the Company having passed the resolutions at the general meeting approving the execution of the Second Share Subscription Agreement and related ancillary documents to which it is a party and the issue and allotment of Subscription Shares to the Subscriber;
- (f) the listing committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Subscription Shares;

LETTER FROM THE BOARD

- (g) the 2nd Subscriber's warranties remaining true and accurate in all material respects and not misleading in any material respect as of the date of completion under the Second Share Subscription Agreement;
- (h) the 2nd Subscriber having performed and complied in all material respects with all agreements and obligations required by the Second Share Subscription Agreement to be performed or complied with by any of them prior to the Completion Date under the Second Share Subscription Agreement;
- (i) the Company having obtained all necessary approvals, consents, clearance or waivers (if applicable) under the Listing Rules and any applicable laws from the regulatory authorities including the Stock Exchange and SFC in respect of the transactions contemplated under the Second Share Subscription Agreement, and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the Company; and
- (j) all other consents, approvals, authorisations and waivers as may be required to give effect to the transactions contemplated under the Second Share Subscription Agreement having been obtained and where any consent approval authorisation or waiver is subject to conditions, such conditions being fulfilled to the satisfaction of the Company in its sole and absolute opinion.

Termination

The Second Share Subscription Agreement may be terminated at any time prior to its completion:

- (a) by the mutual written consent of the 2nd Subscriber and the Company; or
- (b) where specific conditions precedent in the Second Share Subscription Agreement are not satisfied or waived by the long stop date in the Second Share Subscription Agreement, by the party for the benefit of whom the conditions precedent that are not satisfied or waived may terminate the Second Share Subscription Agreement by written notice to the other party; or

LETTER FROM THE BOARD

- (c) where the defaulting party does not complete within the prescribed period in the Second Share Subscription Agreement, the non-defaulting party may choose either to proceed for specific performance or by written notice to the other party to terminate the Second Share Subscription Agreement; or
- (d) where any of the 2nd Subscriber's warranties was untrue, inaccurate or misleading in a material manner as of the signing of the Second Share Subscription Agreement (or would become untrue, inaccurate or misleading in a material manner if the 2nd Subscriber's warranties were repeated at completion), the Company shall be entitled by notice in writing to the other party to terminate the Second Share Subscription Agreement.

CONNECTED TRANSACTION — ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE GENERAL MANDATE

Implications under the Hong Kong Listing Rules

The 1st Subscriber is a company to be transferred to and wholly owned by a discretionary trust whereby the beneficiaries are, as of the Latest Practicable Date: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited, who do not fall within the definition of connected person under the Listing Rules, (b) Mr. ZHUANG Yuekai, who has approximately 5.82% interests in the trust; (c) Mr. SHI Zhen, who has approximately 3.64% interests in the trust; and (d) Ms. ZHAO Chengmin, who has approximately 2.91% interests in the trust (subject to the reallocation of interest by the trustee pursuant to the trust deed). Mr. ZHUANG Yuekai, Mr. SHI Zhen and Ms. ZHAO Chengmin are connected persons of the Company due to their directorship in the Company pursuant to Chapter 14A of the Listing Rules. As a trust gives undivided interests to the trust assets, the 1st Subscriber is deemed to be interested in the trust assets in full and therefore a connected person. Accordingly, the issue of new Shares to the 1st Subscriber pursuant to the First Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and independent shareholders' approval requirements. An Independent Board Committee comprising the independent non-executive Directors of the Company has been formed to advise the Independent Shareholders on the issue of new Shares to the 1st Subscriber. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

ISSUE OF NEW SHARES TO THE 2ND SUBSCRIBER UNDER THE GENERAL MANDATE

As at the Latest Practicable Date, the 2nd Subscriber held 200,082 Shares and will remain to be an Independent Third Party to the Company. Further, as at the Latest Practicable Date and to the best knowledge and belief of the Directors after due and careful enquiry, the 2nd Subscriber is not a connected person under Chapter 14A of the Listing Rules and thus, the transaction under the Second Share Subscription Agreement does not constitute connected transaction under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Second Share Subscription Agreement will be put forward for Shareholders' approval in the Extraordinary General Meeting. The 2nd Subscriber will abstain from exercising his rights under the Shares he currently held to vote in the Extraordinary General Meeting.

APPROVAL BY THE BOARD

On 27 May 2015, the Board convened a meeting, at which the non-connected Directors approved the resolutions on the proposal of the issue of new Shares to the 1st Subscriber and the Board approved the resolutions on the proposal of the issue of new Shares to the 2nd Subscriber under the General Mandate.

Executive Directors including Mr. ZHUANG Yuekai, Mr. SHI Zhen and Ms. ZHAO Chengmin having material interests in the resolution on the issue of new Shares to the 1st Subscriber under the General Mandate have therefore abstained from voting on the relevant resolutions.

Save as disclosed above, none of the Directors has a material interest in the proposal of the issue of new Shares to the 1st Subscriber and the 2nd Subscriber under the General Mandate and is required to abstain from voting. Non-connected Directors (including independent non-executive Directors) are of the view that the terms of the First Share Subscription Agreement and the Second Share Subscription Agreement and relevant transactions thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE RELEVANT PARTIES

The Company is an exempted company incorporated in the Cayman Islands on 18 February 2011 with limited liability, with its Shares listed on the Stock Exchange. The Group is principally engaged in businesses of property development, property leasing, property management and the provision of consultancy services.

The 1st Subscriber was incorporated in the BVI with limited liability on 9 January 2015. The 1st Subscriber is an investment holding company to be held by a discretionary trust whereby the beneficiaries are, as of the Latest Practicable Date: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited, who do not fall within the definition of connected person under the Listing Rules, (b) Mr. ZHUANG Yuekai, who has approximately 5.82% interests in the trust; (c) Mr. SHI Zhen, who has approximately 3.64% interests in the trust; and (d) Ms. ZHAO Chengmin, who has approximately 2.91% in the trust (subject to the reallocation of interest by the Trustee pursuant to the trust deed).

To avoid conflict of interests, Mr. SHI Zhen and Ms. ZHAO Chengmin who are directors of Well Land International Limited (益能國際有限公司), direct shareholder of the Company, and have material interest in the resolution on the issue of new Shares to the 1st Subscriber under the General Mandate will also abstain from voting on the relevant resolution at the board meeting of Well Land International Limited (益能國際有限公司).

The 2nd Subscriber is Mr. Lin Shuien, a natural person, who is an Independent Third Party and has no other business relationship with the Group. The 2nd Subscriber is an experienced investor. His experience covers a board range of areas including but not limited to investing in venture capital, private equity, funds in real estate and stock investments. He is also an entrepreneur in the building construction field and is familiar with the real estate industry. He has been one of the construction

LETTER FROM THE BOARD

contractors with C&D Real Estate Corporation Limited for a number of years. He is optimistic about the Company's future prospects and is willing to and interested in investing in the Company. Therefore, he agreed to the terms and conditions of the Second Share Subscription Agreement and to subscribe the Shares from the Company.

CICC has been appointed by the Company as the placing agent and CICC has agreed to act as the placing agent. Pursuant to the engagement letter entered into between CICC and the Company, the principal terms includes (i) CICC agrees to use its best effect (but not underwriting to purchase the Shares) to assist the Company in placing its Shares; (ii) CICC agrees to advise the Company on placing timetable, placing method, number of shares to be placed and placing price; (iii) CICC and the Company agree that the placing price per share should be no less than HK\$3.86 (excluding (1) placement brokage: 0.8% of placement amount; (2) transaction levy of 0.0027% of placement amount payable to the Stock Exchange; (3) trading fee of 0.005% of placement amount payable to SFC). Save and except for the relationship set out above, CICC is independent of and not connected with the Company, the Directors, the chief executive of the Company or substantial Shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Directors consider that the Subscriptions (including the connected transaction under First Share Subscription Agreement) represent an opportunity to raise additional capital for the Company, enrich the Company's capital, increase its solvency ratio, ensure the stable and sustainable development of the Company's business, enhance the Company's market competitiveness and align the 1st Subscriber's interest with the Company's prospects. After taking into account of (i) the potential additional cost, risks and uncertainty in relation to issue of new Shares to other independent third party for raising such a large amount of money in a short time period; and (ii) the positive impact of the 1st Subscriber's subscription which signifies the management's confidence in the prospects of business operations and long-term growth of the Company, the Directors are of the view that the 1st Subscriber's subscription is reasonable and in the interests of the Company and its shareholders as a whole.

The aggregate gross proceeds from the Share Subscriptions are expected to be approximately HK\$231,600,000. After deducting subsequent issue fee, professional fees and other expenses incidental to the Subscriptions, the Company estimates that the total net proceeds from the issue of new Shares would be approximately HK\$229,730,000 and the net price of each Subscription Share is approximately HK\$3.83 per Share. The net proceeds (after deduction of relevant expenses) from the Subscriptions will be used as working capital of the Company, providing stable financial support for the rapid development of the Company. Further, given that the Company currently does not have any land reserve, the Company intends to apply the net proceeds from the Share Subscription as capital reserve for potential land acquisitions for future business development of the Company. As at the Latest Practicable Date, the Company is not under negotiation and has not entered, or proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, in relation to any new investments.

In addition, the employees of the C&D Real Estate Corporation Limited (including the Executive Directors of the Company) are optimistic about the Company's future prospects and are willing to provide full support and assistance for the future development and growth of the Company. Therefore, they agreed to the terms and conditions of the First Share Subscription Agreement and participated in

LETTER FROM THE BOARD

the First Share Subscription through the 1st Subscriber to subscribe the shares from the Company issued under the General Mandate. By doing so, the interests of the employees of the C&D Real Estate Corporation Limited (including the executive directors of the Company) are closely aligned with those of the Company.

The Company has considered debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Company. However, the ability of the Company to obtain bank borrowings usually depends on its profitability and financial position as well as the prevailing market conditions. Furthermore, such alternatives may be subject to lengthy due diligence by and negotiations with banks. In light that debt financing will usually incur interest burden on the Group, the Company considers debt financing to be relatively more uncertain and time-consuming as compared to equity financing through issue of new Shares under the General Mandate to obtain additional funding.

Under such circumstances, the Company, after due and careful consideration, believes that issue of new Shares under the General Mandate is the most practicable financing method available to the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities involving issue of equity securities during the 12 months immediately preceding the date of the Announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect of the Subscriptions on the shareholding structure of the Company immediately following the completion of the Subscriptions are set out below.

Name of Shareholder	Immediately before the completion of the Subscriptions		Immediately following the completion of the Subscriptions	
	Number of Shares (approximately)	% of total issued Shares	Number of Shares (approximately)	% of total issued Shares
Well Land International Limited (益能國際有限公司) (Note 1)	210,100,000	70.03	210,100,000	58.36
The 1st Subscriber	—	—	50,580,000	14.05
The 2nd Subscriber (Note 2)	200,082	0.07	9,620,082	2.67
Public (excluding the 2nd Subscriber)	89,699,918	29.90	89,699,918	24.92
Total	300,000,000	100	360,000,000	100

Note 1: Well Land International Limited (益能國際有限公司) is a company incorporated in the BVI with limited liability on 27 May 2014, which is a wholly-owned subsidiary of Well Honour International Limited. Well Honour International Limited is a wholly-owned subsidiary of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is a subsidiary of Xiamen C&D Inc., which is a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D Corporation Limited, a state-owned

LETTER FROM THE BOARD

group of companies under the supervision of Xiamen Municipality. Well Honour International Limited, C&D Real Estate Corporation Limited, Xiamen C&D Inc. and Xiamen C&D Corporation Limited are deemed to be interested in all the Shares in which Well Land International Limited (益能國際有限公司) is interested by virtue of the SFO.

Note 2: The 2nd Subscriber is an Independent Third Party. Therefore, his interests in Shares immediately following the completion of the Subscriptions form part of public Shares.

Immediately before the completion of the issue of the Subscription Shares, the total issued Shares of the Company is 300,000,000 Shares. It is expected that immediately following the completion of the issue of the Subscription Shares, the total issued Shares of the Company will be 360,000,000 Shares.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Board at the annual general meeting of the Company held on 28 April 2015. As at the Latest Practicable Date, the Company has not allotted and issued any Shares under the General Mandate. The number of new Shares to be allotted and issued under the Subscriptions is 60,000,000 Shares.

The Subscription Shares when issued will be credited as fully paid and rank *pari passu* in all respects with the other existing Shares.

LISTING APPROVAL

The Company will make an application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be held by the Company at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 3:00 p.m. on Monday, 6 July 2015 to consider and if thought fit, to approve the issue of new Shares to the 1st Subscriber and the 2nd Subscriber under the General Mandate by ordinary resolutions. A form of proxy and the reply slip for use at the Extraordinary General Meeting are enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolution will abstain from voting on the resolutions on the issue of new Shares to the 1st Subscriber and the 2nd Subscriber under the General Mandate at the Extraordinary General Meeting. To the best knowledge, information and belief of the Directors having made all reasonable enquires, (a) none of the beneficiaries of the 1st Subscriber holds any Shares in the Company; and (b) the 2nd Subscriber is interested in, and capable of exercising in full the voting rights of, 200,082 Shares (approximately 0.07% of voting rights immediately before the completion of the Subscriptions) in the Company as at the Latest Practicable Date. The 2nd Subscriber and his associates (if any) will be required to abstain from voting on the relevant resolution at the Extraordinary General Meeting.

LETTER FROM THE BOARD

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on relevant resolutions to be considered at the Extraordinary General Meeting as at the Latest Practicable Date.

The Extraordinary General Meeting Notice is set out on pages 41 to 42 of this circular.

For those who intend to direct a proxy to attend the Extraordinary General Meeting, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the Extraordinary General Meeting or any resumed session. The register of members of the Company will be closed from Thursday, 2 July 2015 to Monday, 6 July 2015 (both days inclusive), during which time no share transfers will be effected. The holders of the Company's Shares whose names appear on the register of members of the Company on Monday, 6 July 2015 are entitled to attend and vote in respect of all resolutions to be proposed at the Extraordinary General Meeting.

You are urged to complete and return the form of proxy and reply slip whether or not you will attend the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting (or any subsequent meetings following the adjournments thereof) should you wish to do so.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the issue of new Shares to the 1st Subscriber under the General Mandate. Octal Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issue. The text of the letter from the Independent Board Committee is set out on pages 20 to 21 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 22 to 36 of this circular.

RECOMMENDATIONS

The non-connected Directors (including independent non-executive Directors) are of the view that: (i) the terms of the First Share Subscription Agreement and the Second Share Subscription Agreement are fair and reasonable and on normal commercial terms; (ii) the transactions contemplated under the First Share Subscription Agreement and the Second Share Subscription Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole and (iii) entering into the First Share Subscription Agreement and the Second Share Subscription Agreement is in the ordinary and usual course of business of the Company. As such, non-connected Directors (including the independent non-executive Directors) recommend that all Independent Shareholders/Shareholders to vote in favour of the relevant resolutions set out in the Extraordinary General Meeting Notice.

LETTER FROM THE BOARD

VOTE BY POLL

In accordance with the Articles of Association, all the votes in the Extraordinary General Meeting must be taken by poll. The methods of Shareholders' votes at the Extraordinary General Meeting will be conducted by the combination of on-site voting and online voting.

FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix I to this circular.

Yours faithfully
By order of the Board
South West Eco Development Limited
西南環保發展有限公司
Zhuang Yuekai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the issue of new Shares to the 1st Subscriber under the General Mandate for inclusion in this circular.

SOUTH WEST ECO DEVELOPMENT LIMITED

西南環保發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

18 June 2015

To the Independent Shareholders

Dear Sir or Madam,

Connected Transaction — Issue of New Shares to a Connected Person under the General Mandate

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on, the issue of new Shares to the 1st Subscriber under the General Mandate, the details of which are set out in the circular issued by the Company to the Shareholders dated 18 June 2015 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on page 22 to 36 of this Circular.

As at the Latest Practicable Date, the 1st Subscriber is a company to be transferred to and wholly owned by a discretionary trust whereby the beneficiaries are (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited, who do not fall within the definition of connected person under the Listing Rules; (b) Mr. ZHUANG Yuekai, who has approximately 5.82% interests in the trust; (c) Mr. SHI Zhen who has approximately 3.64% interests in the trust; and (d) Ms. ZHAO Chengmin, who has approximately 2.91% interests in the trust (subject to the reallocation of interest by the trustee pursuant to the trust deed). Mr. ZHUANG Yuekai, Mr. SHI Zhen and Ms. ZHAO Chengmin are connected persons of the Company due to their directorship in the Company pursuant to Chapter 14A of the Listing Rules. As a trust gives undivided interests to the trust assets, the 1st Subscriber is deemed to be interested in the trust assets in full and therefore a connected person. Accordingly, the issue of new Shares to the 1st Subscriber pursuant to the First Share Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders’ approval requirements.

Having taken into account the information set out in the letter from the Board, and the principal factors, reasons and recommendations set out in the letter from the Board, we concur with the view of the Board and consider that (i) the terms of the First Share Subscription Agreement are fair and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

reasonable and on normal commercial terms; (ii) the transaction contemplated under the First Share Subscription Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) entering into the First Share Subscription Agreement is in the ordinary and usual course of business of the Company.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the issue of new Shares to the 1st Subscriber under the General Mandate.

Yours faithfully
Independent Board Committee of
Mr. Wong Chi Wai
Mr. Wong Tai Yan, Paul
Mr. Chan Chun Yee
(independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

18 June 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE GENERAL MANDATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the issue of the new Shares to a connected person under the General Mandate and terms thereof, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 18 June 2015 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 27 May 2015, the Company entered into the First Share Subscription Agreement and the Second Share Subscription Agreement with the 1st Subscriber and the 2nd Subscriber, respectively, pursuant to which the Company has conditionally agreed to allot and issue 50,580,000 new Shares and 9,420,000 new Shares at the Subscription Price of HK\$3.86 per Subscription Share pursuant to the General Mandate and each of the 1st Subscriber and the 2nd Subscriber has conditionally agreed to subscribe for such new Shares in cash on the terms and subject to the conditions set out therein. The gross proceeds from the issue of such new Shares are approximately HK\$231,600,000.

The 1st Subscriber is a company to be transferred to and wholly owned by a discretionary trust (the “**Trust**”) whereby the beneficiaries are, as of the Latest Practicable Date: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited, who do not fall within the definition of connected person under the Listing Rules; (b) Mr. Zhuang Yuekai (“**Mr. Zhuang**”), who has approximately 5.82% interests in the Trust; (c) Mr. Shi Zhen (“**Mr. Shi**”), who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao Chengmin (“**Ms. Zhao**”), who has approximately 2.91% interests in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed). Mr. Zhuang, Mr. Shi and Ms. Zhao are connected persons of the Company (the “**Executive Directors**”) by virtue of their directorship in the Company pursuant to Chapter 14A of the Listing Rules. As a trust gives undivided interests to the trust assets, the 1st Subscriber will be deemed to be interested in the trust assets in full and therefore a connected person. Accordingly, the issue of new Shares to the 1st Subscriber pursuant to the First Share Subscription Agreement (the “**Connected Subscription**”)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements. The Extraordinary General Meeting will be convened at which the Independent Shareholders will consider and vote by way of poll to approve the Connected Subscription.

We, Octal Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of Connected Subscription are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole.

We are not connected with the Company, the Directors, the chief executive of the Company and the substantial shareholders of the Company or the 1st Subscriber or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we did not have any engagement with the Company, the Directors, the chief executive of the Company, the substantial shareholders of the Company or the 1st Subscriber and no arrangement exists whereby we will receive any fees or benefits from the Company, the 1st Subscriber, the Directors, the chief executive of the Company and the substantial shareholders of the Company or the 1st Subscriber or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, its subsidiaries or the 1st Subscriber or the Directors or their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Connected Subscription, we have considered the following principal factors and reasons:

1. **Background of the Connected Subscription**

- ***Background of the Group***

The Group is principally engaged in the business of property leasing, property development, building management services and provision of advisory and consultancy services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the announcement of the Company dated 23 December 2014, Well Land International Limited (益能國際有限公司) (“**Well Land**”) was introduced as a new shareholder of the Company and has completed its acquisition of 75% of the issued share capital of the Company from the previous shareholders of the Company (the “**Acquisition**”) on 23 December 2014. Upon completion of the Acquisition, Well Land became the controlling shareholder of the Company and was required to make a mandatory unconditional general offer in cash (the “**Offer**”) for all the issued Shares (other than those already owned or agreed to be acquired by Well Land and parties acting in concert with it) under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers. The Offer was closed on 10 February 2015.

Well Land is a wholly-owned subsidiary of Well Honour International Limited (益鴻國際有限公司), which in turn is wholly-owned by C&D Real Estate Corporation Limited (建發房地產集團有限公司) (the “**C&D Real Estate**”). C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipality of the PRC (collectively, the “**Xiamen C&D Corporation**”). As at the Latest Practicable Date, the market capitalization of Xiamen C&D Inc. was approximately RMB62.3 billion. The Xiamen C&D Corporation Limited is a modern service enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. The Xiamen C&D Corporation Limited ranked 128th of China Top 500 Enterprises and the 48th of China Top 500 Service Enterprises in 2014 and has been ranking first of Top 100 Enterprise Groups in Fujian Province consecutively for many years.

- ***Background of the 1st Subscriber and the Trust***

As stated in the Letter from the Board, the 1st Subscriber was incorporated in the BVI with limited liability on 9 January 2015. The 1st Subscriber is an investment holding company to be held by the Trust whereby the beneficiaries are, as of the Latest Practicable Date: (a) staff of the controlling shareholder, C&D Real Estate, who do not fall within the definition of connected person under the Listing Rules; (b) Mr. Zhuang, who has approximately 5.82% interests in the Trust; (c) Mr. Shi, who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao, who has approximately 2.91% in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed). As advised by the management of the Company, since all the relevant employees of the C&D Real Estate who are beneficiaries of the Trust do not have an overseas identity (such as Hong Kong), it is complicated for them to invest in the shares of the Company which are listed on the Stock Exchange and thus it is not practicable for the Company to issue Shares to its employees directly. As a result, the Trust was set up which could enable the beneficiaries to be entitled with the equity interests in the Company. On the other hand, as further advised by the management of the Company, the beneficiaries of the Trust will make their respective payment to the 1st Subscriber for the Connected Subscription in respect of their proportionate interests in the Trust and is in compliance with the relevant laws and provisions in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- *Background of the Executive Directors*

Mr. Zhuang Yuekai

Mr. Zhuang, aged 49, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Board (the “**Nomination Committee**”), and as a member of the remuneration committee of the Board (the “**Remuneration Committee**”) with effect from 16 March 2015. He graduated from Fuzhou University in 1986 with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has extensive experience in, among others, real estate development, investment in merger and acquisition, capital utilisation and commercial operation. Mr. Zhuang has worked in Xiamen C&D Corporation Limited and C&D Real Estate for many years and currently serves as, among others, the vice-general manager and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and the chairman of C&D Real Estate.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate. C&D Real Estate is the holding company of Well Honour International Limited (of which Mr. Zhuang is a director) which, in turn, is the holding company of Well Land, a controlling shareholder of the Company.

Mr. Shi Zhen

Mr. Shi, aged 49, was appointed as the chief executive officer and an executive Director of the Company on 10 February 2015. He also serves as a director of some subsidiaries of the Group. Mr. Shi graduated from Fuzhou University with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer and a certified real estate appraiser in the PRC and has years of experience in, among others, real estate development, investment management and enterprise operation management.

Mr. Shi has worked in Xiamen C&D Corporation Limited and C&D Real Estate for many years and currently serves as a director and a member of the standing committee of the party committee of Xiamen C&D Corporation Limited and a director and the general manager of C&D Real Estate. Mr. Shi is also a director of Well Land and Well Honour International Limited (the holding company of Well Land).

Ms. Zhao Chengmin

Ms. Zhao, aged 45, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules. Ms. Zhao also serves as director of some subsidiaries of the Group and the legal representative of some PRC subsidiaries of the Group. She graduated from Xiamen University with a master’s degree in business administration and is a senior accountant. Ms. Zhao has many years’ experience in finance management and investment operation management and has held senior management positions in a PRC-listed company and key holding subsidiaries of PRC-listed companies for many years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ms. Zhao has worked in Xiamen C&D Corporation Limited and C&D Real Estate for many years and currently serves as, among others, a supervisor of Xiamen C&D Corporation Limited and a director and vice-general manager of C&D Real Estate. Ms. Zhao worked as finance controller and vice general manager in Xiamen Overseas Chinese Electronic Co., Ltd., a Shanghai-listed company (stock code: 600870). Ms. Zhao is also a director of Well Land.

2. Reasons for the Connected Subscription

As set out in the Letter from the Board, the Directors consider that the Share Subscriptions (including the Connected Subscription) represent an opportunity to raise additional capital for the Company, enrich the Company's capital, increase its solvency ratio, ensure the stable and sustainable development of the Company's business, enhance the Company's market competitiveness and align the 1st Subscriber's interest with the Company's prospects. After taking into account (i) the potential additional cost, risks and uncertainty in relation to issue of new Shares to other independent third party for raising such a large amount of money in a short time period; and (ii) the positive impact of the Connected Subscription which signifies the management's confidence in the prospects of business operations and long-term growth of the Company, the Directors are of the view that the Connected Subscription is reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the fact that the proceeds from the Connected Subscription will increase the working capital of the Company which will improve the overall financial position of the Group, we concur with the view of the Directors that the Connected Subscription will enrich the capital of the Company and increase the Company's solvency ratio. In addition, as set out in the Letter from the Board, given that the Company currently does not have any land reserve, the Company intends to apply the net proceeds from the Connected Subscription as capital reserve for potential land acquisitions for future business development of the Company. Notwithstanding that the shareholding of the existing public Shareholders will be diluted by the Connected Subscription and having considered that the net proceeds will be applied for potential land acquisitions for future business development of the Company, the existing Shareholders will benefit from the value appreciation of the Company as a result of the future development of the Company. Thus, we concur with the view of the Directors that the Connected Transaction is in the interests of the Company and its existing Shareholders.

Moreover, as set out in the Letter from the Board, the Company has considered debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Company. However, the ability of the Company to obtain bank borrowings usually depends on its profitability and financial position as well as the prevailing market condition. Furthermore, such alternatives may be subject to lengthy due diligence by and negotiations with banks. In light that debt financing will usually incur interest burden on the Group, the Company considers, and we concur with the view of the Company, that debt financing would be relatively more uncertain and time-consuming as compared to equity financing through issue of new Shares under the General Mandate to obtain additional funding.

Under such circumstances, we concur with the view of the Company that the issue of new Shares under the General Mandate is the most practicable financing method available to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, as set out in the composite offer and response document in respect of the Offer dated 20 January 2015, Well Land intends to continue the existing businesses of the Group, including investment, development and management of the properties located in Hong Kong, the PRC and overseas. Subject to the future business development plan and the market conditions, Well Land intends to provide funds, personnel, technology and other resources to support the Group's investment in and development of new projects, and raise the number of projects, asset value and brand recognition to a new level, including by means of actively seeking potential property investment and development projects in the PRC and overseas. The Executive Directors are the directors of Well Land and are also the top-level management within the C&D Real Estate for many years. Upon completion of the Offer, all of them were appointed as executive Directors of the Company on 10 February 2015. Given the rich experience in the field of property investment and development of the Executive Directors and the Executive Directors will be the spearhead for directing the course of business of the Group in future, the accomplishment of the intention of Well Land towards the future development of the Company would highly rely on the continuous contributions and experiences of the Executive Directors to identify new projects and to seek for potential property investment and development projects in Hong Kong, the PRC and overseas, implement business plans and manage future operations.

Upon completion of the Offer, the Company became a member of the C&D Real Estate and the performance of the Group would affect that of the C&D Real Estate. As set out in the Letter from the Board, the employees of the C&D Real Estate (including the Executive Directors of the Company) are optimistic about the Company's future prospects and are willing to provide full support and assistance for the future development and growth of the Company. Therefore, they agreed to the terms and conditions of the First Share Subscription Agreement and participated in the Connected Subscription through the 1st Subscriber, which is an investment holding company and is a company to be transferred to and wholly owned by the Trust, to subscribe for the Shares of the Company issued under the General Mandate. By doing so, the interests of the employees of the C&D Real Estate (including the Executive Directors) are closely aligned with those of the Company.

As such, we concur with the view of the Directors that the purpose of the Connected Subscription is to ensure the stable and sustainable development of the Company's business at the direction of the C&D Real Estate, enhance the Company's market competitiveness from the experience of the management of the C&D Real Estate and align the interest of the 1st Subscriber and thereby the beneficiaries of the Trust with the Company's prospects.

As for the Connected Subscription, the 1st Subscriber would subscribe for the Subscription Shares at the Subscription Price of HK\$3.86 per Subscription Share, representing a discount of approximately 16.45% of the closing price of the Company on the Last Trading Date (as defined below). As the Company grows and embarks on its new investment opportunities, the Executive Directors will benefit from the value appreciation of the Company as a result of the future business development of the Group and thereby aligning the interests of the Executive Directors and the Company. Given the Company intends to attract, motivate and retain the Executive Directors to participate in, and contribute to, the future development and the growth of the Group, the Company considers, and we concur with its view, that the issue of the Subscription Shares to the 1st Subscriber is an appropriate means to align their interests with the Company's future prospects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the reasons and factors mentioned above, we consider that the Connected Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Terms of the Connected Subscription

(i) *Subscription Price*

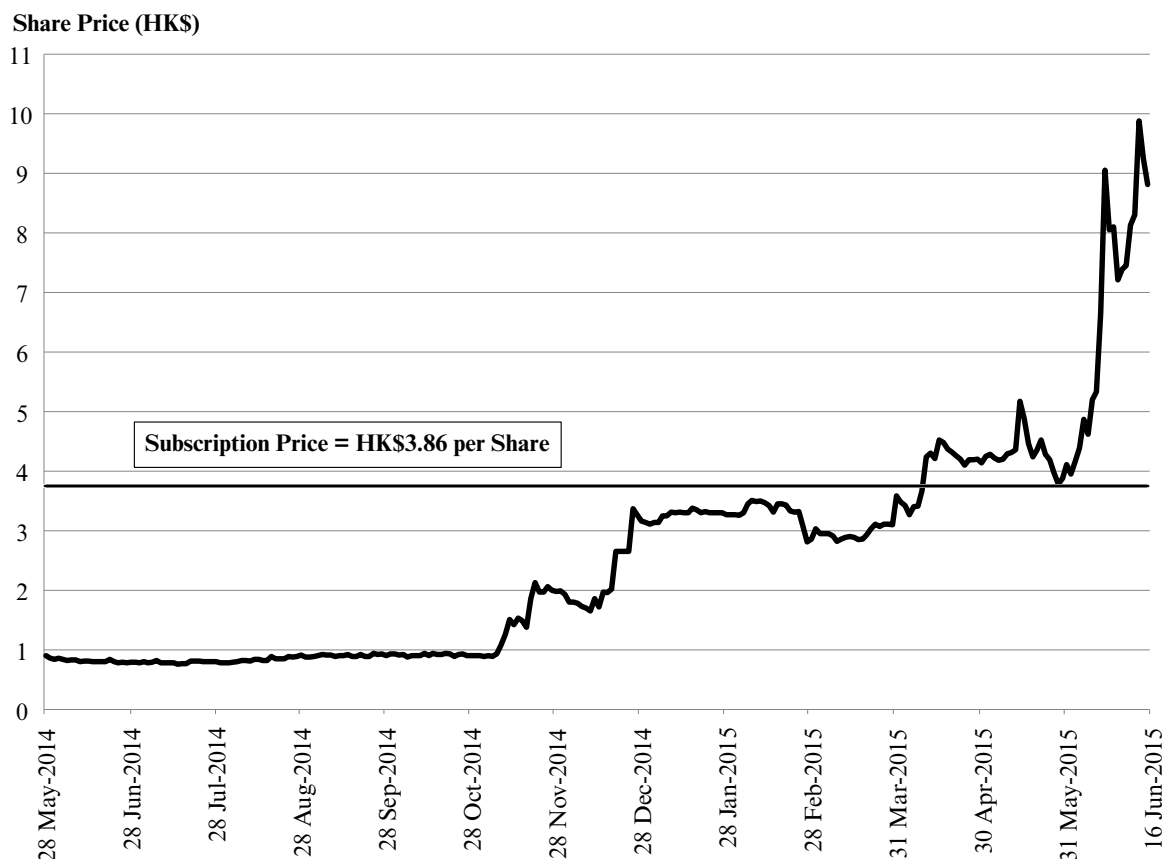
Pursuant to the First Share Subscription Agreement, the Subscription Price of HK\$3.86 per Subscription Share was determined after arm's length negotiations between the Company and the 1st Subscriber. The gross proceeds from the Connected Subscription in the total amount of approximately HK\$195.2 million shall be payable in cash by the 1st Subscriber upon Completion. We note that the Subscription Price represents:

- (a) a discount of approximately 16.45% to the closing price of HK\$4.62 per Share as quoted on the Stock Exchange on 27 May 2015 (the "**Last Trading Date**");
- (b) a discount of approximately 10.23% to the average closing price of HK\$4.30 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 26 May 2015 (being trading day immediately preceding the date of the First Share Subscription Agreement);
- (c) a premium of approximately 67.10% over the consolidated net asset value attributable to owners of the Company of approximately HK\$2.31 per Share based on the consolidated statement of financial position of the Company as at 31 December 2014; and
- (d) a discount of approximately 56.19% to the closing price of HK\$8.81 per Share as quoted on the Stock Exchange on the Latest Practical Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- *Share price performance*

In view that the 12-month benchmarking period is a commonly used tenure for analysis purpose, we consider that it is relevant to review the closing price level of the Shares traded on the Stock Exchange during the 12-month period from 28 May 2014 to 27 May 2015 (being the Last Trading Date) and further up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: Infocast¹

During the Review Period, the lowest closing price was HK\$0.76 per Share recorded on 14 July 2014 and the highest closing price was HK\$9.88 per Share recorded on 12 June 2015. The Shares had been traded below the Subscription Price of HK\$3.86 per Share during most of the Review Period from May 2014 to mid-March 2015. The share price was stable during May 2014 to October 2014 and was traded at around HK\$0.80 per Share before it rocketed to a level of around HK\$2.13 per Share on 12 November 2014 after the issue of the announcement dated 10 November 2014 by the Company in respect of a possible acquisition of the controlling interest of the Company by an independent third party. The share price dropped to around HK\$1.65 per Share in early December 2014 but rose to HK\$3.37 per Share on 15 December 2014 after the issue of the announcement dated 14 December 2014 by the Company in relation to the acquisition of 75% of the equity interest of the

¹ Infocast is a financial information, trading, technology and total solutions provider for the major banks and brokerage firms in the Asia Pacific Region and is an independent third party not connected with the Directors and the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company by Well Land. The share price then continued its upward trend to reach the highest closing price of HK\$9.88 per Share on 12 June 2015.

We noted that the Subscription Price represents a premium of approximately 407.89% over the lowest closing price of HK\$0.76 per Share and a discount of approximately 60.93% to the highest closing price of HK\$9.88 per Share during the Review Period. The Subscription Price also represents a discount of approximately 56.19% to the closing price of the Shares of HK\$8.81 per Share on the Latest Practicable Date. Further, we noted that the share price of the Company was in the range of HK\$0.76 per Share to HK\$3.67 per Share from 28 May 2014 up to 26 March 2015, which represents the share price of the Company on over 80% of the trading days during the Review Period.

Having considered that (i) the Subscription Price represents a 16.45% discount to the closing price of the share of the Company on the Last Trading Date and a 10.23% discount to the average of the closing price of the Company of the last 5 trading days up to and including 26 May 2015 which is in compliance with the relevant requirement of the Listing Rules on the share price when issuing the Subscription Shares under the General Mandate; and (ii) the Subscription Price lies above the range of the share price of the Company of HK\$0.76 per Share to HK\$3.67 per Share on most of the trading days during the Review Period, we are of the view that the Subscription Price is fair and reasonable.

- *Market comparables on subscription of new shares by connected persons*

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription of new shares by connected persons using general mandate or specific mandate during the last six months commencing from December 2014 to the Last Trading Date and not being terminated. We consider that the terms of the comparable fund raising exercises within the last six months are appropriate benchmarks to reflect the recent market sentiment and the risk appetite of the investment community and the adopted time span can cover sufficient number of comparable subscriptions to reflect the prevailing market trends.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of share subscriptions to connected persons using general mandate or specific mandate conducted by nine companies (the “**Subscription Comparables**”) listed on the Main Board. For each of the nine Subscription Comparables identified, we compared the premium/(discount) of its subscription price/placing price over/(to) (a) the respective closing price on the last trading day, (b) the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement, (c) the average closing price for the last 10 consecutive trading days prior to the date of the corresponding announcement, and (d) the respective net asset value (“**NAV**”) per share, summarised in the following table:

Date of announcement	Stock code	Company	Shares issued using general mandate (“GM”) or specific mandate (“SM”)	Subscription/placing price (HK\$)	Premium/(discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/(discount) over/to the closing price of the shares for the last 5 consecutive trading days	Premium/(discount) over/to the closing price of the shares for the last 10 consecutive trading days	Premium/(discount) over/to the net asset value per share (Note)	
20/1/2015	267	CITIC Limited	SM	13.8	3.60%	2.37%	3.60%	(50.68)%	
28/1/2015	1196	Realord Group Holdings Limited	SM	1.4	(52.40)%	(42.40)%	(36.70)%	407.67%	
3/2/2015	718	Bestway International Holdings Limited	SM	0.56	(51.30)%	(42.97)%	(37.85)%	(17.70)%	
22/3/2015	570	China Traditional Chinese Medicine Company Limited	SM	4.68	(2.09)%	(2.30)%	(2.82)%	222.22%	
24/3/2015	688	China Overseas Land & Investment Ltd.	SM	25.38	10.80%	14.50%	15.20%	73.51%	
26/3/2015	2039	China International Marine Containers Company Limited	SM	13.48	(15.96)%	(11.90)%	(9.07)%	37.06%	
26/3/2015	730	Shougang Concord Grand Group Limited	SM	0.41	(7.87)%	(6.18)%	(3.07)%	(45.21)%	
22/5/2015	1008	Brilliant Circle Holdings International Limited	SM	1.7	(3.40)%	(2.90)%	(4.97)%	(14.77)%	
22/5/2015	1011	China NT Pharma Group Company Limited	GM	1.86	(15.84)%	(19.13)%	(13.85)%	794.48%	
Subscription Comparables using general mandate or specific mandate					Mean	(14.94)%	(12.32)%	(9.95)%	156.29%
					Median	(7.87)%	(6.18)%	(4.97)%	37.06%
					Maximum	10.80%	14.50%	15.20%	794.48%
					Minimum	(52.40)%	(42.97)%	(37.85)%	(50.68)%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Company	Shares issued using general mandate (“GM”) or specific mandate (“SM”)	Subscription/ placing price (HK\$)	Premium/ (discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/to the closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/to the closing price of the shares for the last 10 consecutive trading days	Premium/ (discount) over/to the net asset value per share (Note)
Subscription Comparables using specific mandate								
				Mean	(14.83)%	(11.47)%	(9.46)%	76.51%
				Median	(7.87)%	(4.54)%	(4.02)%	11.15%
				Maximum	10.80%	14.50%	15.20%	407.67%
				Minimum	(52.40)%	(42.97)%	(37.85)%	(50.68)%
27/5/2015	1908	The Company		3.86	(16.45)%	(10.23)%	(7.17)%	67.10%

Note: The net asset value of the Subscription Comparables was extracted from their annual reports of the latest financial year, where figures in RMB are translated at an exchange rate of RMB1 = HK\$1.25.

From the above table, we noted that the Subscription Comparables using general mandate or specific mandate show (i) a mean of discount of approximately 14.94% to the closing price of the last trading day prior to the date of the corresponding announcement; (ii) a mean of discount of approximately 12.32% to the average closing prices of the last five consecutive trading days prior to the date of the corresponding announcement; (iii) a mean of discount of approximately 9.95% to the average closing prices of the last ten consecutive trading days prior to the date of the corresponding announcement; and (iv) a mean of premium of 156.29% over the net asset value per share of the Subscription Comparables.

On the other hand, we noted that the Subscription Comparables using specific mandate show (i) a mean of discount of approximately 14.83% to the closing price of the last trading day prior to the date of the corresponding announcement; (ii) a mean of discount of approximately 11.47% to the average closing prices of the last five consecutive trading days prior to the date of the corresponding announcement; (iii) a mean of discount of approximately 9.46% to the average closing prices of the last ten consecutive trading days prior to the date of the corresponding announcement; and (iv) a mean of premium of 76.51% over the net asset value per share of the Subscription Comparables.

Upon comparison, we noted that the discounts of the Subscription Price to the closing price on the Last Trading Date, the average closing prices of the last five consecutive trading days, the last ten consecutive trading days prior to the Last Trading Date and the NAV per share fall within the range of the Subscription Comparables and is comparable to the relevant means of discount of the Subscription Comparables but lies above the relevant medians of discount the Subscription Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, from the nine Subscription Comparables we identified during the Review Period, we noted that one of them issued shares to a connected person under the general mandate and the relevant issue price was at 15.84% discount to its share price on the last trading day prior to the date of the corresponding announcement and at 19.13% discount to the average closing price of its share on the last 5 trading days prior to the date of the corresponding announcement. The discounts of the subscription price of this company to the relevant benchmark are comparable to those of the Subscription Price.

Therefore, based on the above findings, we consider that the level of the Subscription Price is, on balance, fair and reasonable from the sole perspective with reference to the Subscription Comparables.

- *Market comparables on subscription of new shares using general mandate*

In addition to the comparables analysis on the subscription of new shares by connected persons, we also consider it is worthwhile to assess the Subscription Price against the prevailing market trends under general mandate and we have also identified (to the best of our knowledge) an exhaustive list of share subscriptions/placements (the “**Transaction Comparables**”) for raising funds using general mandate as announced by companies listed on the Main Board of the Stock Exchange during the last three months commencing from March 2015 to the Last Trading Date and not being terminated. In view of the recent market sentiment of the stock market and the number of transactions identified, we consider that the terms of the comparable fund raising exercises within the last three months are appropriate benchmarks to reflect the prevailing market trends and the risk appetite of the investment community.

Based on the above, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of 102 Transaction Comparables. For each of the 102 Transaction Comparables identified, we noted that the Transaction Comparables show (i) an average of a discount of approximately 13.00% to the closing price of the last trading day prior to the date of the corresponding announcement which is within the range of a premium of 33.88% to a discount of 19.97%; and (ii) an average of a discount of approximately 6.00% to the average closing prices of the last five consecutive trading days prior to the date of the corresponding announcement which is within the range of a premium of 55.88% to a discount of 20.00%.

By virtue of the issue of the Subscription Shares to the 1st Subscriber under the General Mandate pursuant to the Listing Rules, the Subscription Price may not be more than at 20% discount to the higher of the closing price of the Share on the Last Trading Date or the average closing price in the five trading days immediately prior to date of the announcement of the Connected Subscription. Upon comparison, we noted that the discounts of the Subscription Price to the closing price on the Last Trading Date of 16.45% and the average closing prices of the last five consecutive trading days of 10.23% fall within the range of the Transaction Comparables and each of the discounts fall mildly below the average of the Transaction Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above analysis on the share price performance and the comparable analysis on the Subscription Comparables and the Transaction Comparables, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) *Lock-up period*

Pursuant to the Subscription Agreement, the 1st Subscriber irrevocably and unconditionally undertakes to the Company that without the prior written consent or waiver of the Company, it will not, at any time during the period of six months following the date of listing of the Subscription Shares on the Stock Exchange, sell any Subscription Shares.

We consider that the arrangement of the lock-up period could effectively prevent any unfavorable and unusual price movement of the Shares provoked by the disposal of the Subscription Shares by the 1st Subscriber in the short-term period and this is in line with the purpose of the Connected Subscription to align the interest of the Executive Directors with the prospect of the Company. As such, we are of the view that the arrangement of the lock-up period is in the interests of the Company and the Shareholders as a whole.

(iii) *Comparison of the terms and conditions of the subscription of new Shares by independent third party to the Company*

Furthermore, we noted that on the same date, the Company entered into the Second Share Subscription Agreement with the 2nd Subscriber, who is an independent third party to the Company. Upon comparison, we noted that the terms and conditions of the First Share Subscription Agreement, including the Subscription Price, the lock-up period and the conditions precedent, are substantially the same as the Second Share Subscription Agreement. Therefore, we are of the view that the terms and conditions under the First Share Subscription Agreement are no more favourable to the 1st Subscriber, including the Executive Directors, than those available to independent third parties.

4. **Financial effects of the Connected Subscription on the Group**

Earnings

According to the annual report of the Company for the year ended 31 December 2014, the Group recorded consolidated audited net profit attributable to the Shareholders of approximately HK\$31,273,000 for the year ended 31 December 2014. Upon completion of the Connected Subscription, it is expected that the Connected Subscription will slightly decrease the earnings of the Group after deducting the expenses relating to the Connected Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net asset value

According to the annual report of the Company for the year ended 31 December 2014, the Group recorded consolidated net asset value attributable to owners of the Company of approximately HK\$693,228,000. Upon completion of the Connected Subscription, the net asset value of the Group will be improved as the Connected Subscription would increase the share capital and asset base of the Company. Accordingly, the Connected Subscription will have a positive impact on the net asset value of the Group.

Cashflow

According to the annual report of the Company for the year ended 31 December 2014, the Group had bank balances and cash of approximately HK\$194,574,000 as at 31 December 2014. Upon completion of the Share Subscriptions, the liquidity and cash position of the Group will be improved as the Share Subscriptions will facilitate the Company to raise net proceeds of approximately HK\$229.73 million. Accordingly, the cash position, net current assets and current ratio of the Group are expected to be improved upon completion of the Connected Subscription.

Gearing

According to the annual report of the Company for the year ended 31 December 2014, the gearing ratio of the Group as at 31 December 2014 was approximately 11.5%, as derived by dividing total interest-bearing borrowings of the Group as at 31 December 2014 of approximately HK\$88,372,000 by the total equity of the Group of approximately HK\$770,363,000 as at 31 December 2014.

Upon completion of the Connected Subscription and assuming the interest-bearing liabilities of the Group would remain the same, the net asset value of the Group would be increased as a result of the Connected Subscription. Thus, the gearing level of the Group will be improved upon completion of the Connected Subscription.

5. Potential dilution to the shareholdings of the existing public Shareholders

As set out in the table showing the shareholdings changes of the Company under the section headed “Effect on shareholding structure” as contained in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 29.97% (which included the 2nd Subscriber).

Assuming there is no change in the total issued share capital of the Company after the Latest Practicable Date and upon issue of all the Subscription Shares under the First Share Subscription Agreement, the 1st Subscriber will be interested in 50,580,000 Shares, representing approximately 16.86% of the existing issued shares of the Company as at the Latest Practicable Date and approximately 14.05% of the issued share capital of the Company as enlarged by the Share Subscriptions. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 29.97% to approximately 27.59% (which included the 2nd Subscriber) upon completion of the Share Subscriptions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the reasons as detailed in the section headed “Reasons for the Connected Subscription” above, in particular, given that the Company does not have any land reserve for future development, the Company intends to apply the net proceeds from the Connected Subscription for potential land acquisitions and the Shareholders will benefit from the value appreciation of the Company as a result of the future development of the Group, and (ii) the terms of the First Share Subscription Agreement are fair and reasonable, we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

After taking into account the above principal factors and reasons, we consider that the Connected Subscription is on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the First Share Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, and recommend the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Connected Subscription.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 22 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 10 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

3. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director, Supervisor or senior management of the Company who have interests or short positions in the Shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholders	Nature of Shareholding	Number of Shares	Capacity	Percentage of such shares in the same class of the issued share capital	Percentage of total share capital
Well Land International Limited (益能國際有限公司) (Note 1)	Long position	210,100,000 (Note 2)	Direct shareholder	70.03%	70.03%

Note 1: Well Land International Limited (益能國際有限公司) is a company incorporated in the BVI with limited liability on 27 May 2014, which is a wholly owned subsidiary of Well Honour International Limited. Well Honour International Limited is a wholly-owned subsidiary of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is a subsidiary of Xiamen C&D Inc., which is a Shanghai-listed company (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D Corporation Limited, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour International Limited, C&D Real Estate Corporation Limited, Xiamen C&D Inc. and Xiamen C&D Corporation Limited are deemed to be interested in all the Shares in which Well Land International Limited (益能國際有限公司) is interested by virtue of the SFO.

Note 2: Number of Shares held as at 21 May 2015.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, other than a Director or chief executive of the Company, there was no person who had an interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or any options in respect of such capital.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Independent Financial Adviser	a licensed corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letter or references to its name in the form and context in which they respectively appear.

As at Latest Practicable Date, Independent Financial Adviser did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at Latest Practicable Date, Independent Financial Adviser had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2014 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. GENERAL

- (a) The secretary to the Company is Kwok Siu Man.
- (b) The legal address, registered address and address of head office of the Company is at Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.
- (c) The address of the Share Registrar is at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at our office of Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong from the date of this circular up to and including the date of Extraordinary General Meeting:

- (a) the Articles of Association of the Company;
- (b) the First Share Subscription Agreement mentioned in this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 20 to 21 of this circular; and
- (d) the letter issued by the Independent Financial Adviser, the text of which is set out on page 22 to 36 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SOUTH WEST ECO DEVELOPMENT LIMITED
西南環保發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of South West Eco Development Limited (the “**Company**”) will be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 6 July 2015 at 3:00 p.m. to consider, if thought fit, transact the following resolutions of the Company by way of ordinary resolutions:

ORDINARY RESOLUTIONS

1. to consider and approve the issue of new Shares to the 1st Subscriber under the General Mandate.
2. to consider and approve the issue of new Shares to the 2nd Subscriber under the General Mandate

Yours faithfully

By order of the Board

South West Eco Development Limited

西南環保發展有限公司

Zhuang Yuekai

Chairman and Executive Director

Hong Kong, 18 June 2015

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office and principal place

of business in Hong Kong:

Office No. 3517, 35th Floor

Wu Chung House

213 Queen's Road East

Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares (the “**Shares**”) in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the “**Branch Share Registrar**”) of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).
4. The register of members of the Company will be closed from Thursday, 2 July 2015 to Monday, 6 July 2015 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at the above address by no later than 4:30 p.m. on Tuesday, 30 June 2015.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Directors are:

Executive Directors

Mr. Zhuang Yuekai (莊躍凱) (*Chairman*)

Mr. Shi Zhen (施震) (*Chief Executive Officer*)

Ms. Zhao Chengmin (趙呈閩) (*Deputy Executive Officer*)

Non-executive Directors

Ms. Wang Xianrong (王憲榕)

Ms. Wu Xiaomin (吳小敏)

Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors

Mr. Wong Chi Wai (黃拋維)

Mr. Wong Tat Yan, Paul (黃達仁)

Mr. Chan Chun Yee (陳振宜)

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.