
THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Group Sense (International) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

**(I) PROPOSED OPEN OFFER OF 1,437,195,029 OFFER SHARES IN
GROUP SENSE (INTERNATIONAL) LIMITED AT HK\$0.20 PER OFFER
SHARE ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY ONE
(1) SHARE IN ISSUE ON THE RECORD DATE; AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



Underwriters of the Open Offer

Ming Xin Developments Limited

Earnmill Holdings Limited

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

Hercules

Hercules Capital Limited

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 12 to 44 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 45 to 46 of this circular. A letter from Hercules Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 77 of this circular.

A notice convening the SGM to be held at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Wednesday, 14 October 2015 is set out on page SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting Ming Xin Developments the right in its sole discretion, after reasonable consultation with the Company, to terminate the obligations of the Underwriters thereunder on the occurrence of certain events. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on pages 10 and 11 of this circular. If the Underwriting Agreement is terminated by Ming Xin Developments or does not become unconditional, the Open Offer will not proceed.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Friday, 16 October 2015 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

25 September 2015

* For identification purpose only

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DEFINITIONS

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

“Announcement”	the joint announcement of the Company and Century Sunshine dated 20 August 2015 in relation to, amongst others, the Open Offer and the transactions contemplated thereunder;
“Application Form(s)”	the forms of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the form agreed by the Company and the Underwriters;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Century Sunshine”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 509);
“Century Sunshine Group”	Century Sunshine and its subsidiaries (excluding the Group);
“Company”	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 601);
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“Dr. Tam”	Dr. Tam Wai Ho, Samson, JP, a non-executive director of the Company and a director of Earnmill;
“Earnmill”	Earnmill Holdings Limited, a company incorporated in the BVI with limited liability on 10 November 1992 which is ultimately beneficially owned by Dr. Tam and Mr. Tam in equal shares;
“Excess Application Form(s)”	the form(s) of application to be used by the Qualifying Shareholders to apply for excess Offer Shares in the form agreed by the Company and the Underwriters;
“Excluded Shareholders”	the Overseas Shareholder(s) to whom the Directors, based on legal opinion(s) provided by the legal adviser(s) to the Company, consider it necessary or expedient not to offer the Open Offer on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Group”	the Company and its subsidiaries;
“Hercules Capital” or “Independent Financial Adviser”	Hercules Capital Limited, a licensed corporation to carry on business in type 6 regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the Open Offer;
“Independent Shareholder(s)”	any Shareholder(s) other than Ming Xin Developments, Earnmill, Dr. Tam, Mr. Tam and Mrs. Tam and their respective associates;

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“independent third party(ies)”	party(ies) who is/are independent of and not connected to the Company and its connected persons;
“Latest Practicable Date”	23 September 2015, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Last Trading Day”	20 August 2015, being the date of the Announcement;
“Latest Time for Acceptance”	4:00 p.m. on Monday, 9 November 2015 or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of the offer of Offer Shares and application for excess Offer Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at anytime before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same business day; and (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be extended to the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.;
“Latest Time for Termination”	4:00 p.m. on 11 November 2015, being the second business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters, being the latest time to terminate the Underwriting Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ming Xin Developments”	Ming Xin Developments Limited, a company incorporated in the BVI with limited liability on 31 July 2014 which is indirectly owned by Century Sunshine;
“Mrs. Tam”	Mrs. Tam Mui Ka Wai, Vivian, the wife of Dr. Tam;
“Mr. Tam”	Mr. Tam Wai Tong, Thomas, a director of Earnmill;

DEFINITIONS

“Octal Capital”	Octal Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the sub-underwriter of the Underwriters in respect of the Open Offer;
“Offer Share(s)”	1,437,195,029 new Shares proposed to be offered to the Qualifying Shareholder(s) pursuant to the Open Offer;
“Open Offer”	the proposed issue of the Offer Shares by the Company on the basis of one (1) Offer Share for every one (1) Share in issue held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement;
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown in the register of members of the Company as at the close of business on the Record Date) which is/are outside Hong Kong;
“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Prospectus”	the prospectus to be issued by the Company in connection with the Open Offer and expected to be dated on Monday, 26 October 2015;
“Prospectus Documents”	the Prospectus, the Application Form(s) and the Excess Application Form(s);
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholder(s);
“Record Date”	Friday, 23 October 2015 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements;

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“Settlement Date”	Tuesday, 17 November 2015, being the fourth business day after the Latest Time for Termination, (or such other date as the Company and the Underwriters may agree in writing);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting to be convened and held by the Company to consider and approve, among other matters, the Open Offer;
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	the holders of Shares;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Subscription Price”	the issue price of HK\$0.20 per Offer Share at which the Offer Shares are proposed to be offered for subscription under the Open Offer;
“Undertaken Shareholders”	Ming Xin Developments, Earnmill, Mr. Tam, Dr. Tam and Mrs. Tam who have irrevocably undertaken to the Company that (i) they will not dispose of 826,507,845 Shares beneficially owned by them from the date of the Undertakings up to and including the Record Date; and (ii) will procure the acceptance of the Offer Shares which will represent the assured allotment to them or their nominee(s) as holders of such Shares under the Open Offer;
“Undertakings”	the irrevocable undertakings given by the Undertaken Shareholders to the Company dated 20 August 2015, details of which are set out in the subsection headed “Undertakings given by the Undertaken Shareholders” in this circular;
“Underwriters”	Ming Xin Developments and Earnmill;

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“Underwriting Agreement”	the underwriting agreement dated 20 August 2015 entered between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Open Offer;
“Underwritten Shares”	such number equal to the number of the Offer Shares other than the 826,507,845 Offer Shares undertaken by the Undertaken Shareholders;
“Untaken Shares”	Underwritten Shares for which the duly completed Application Forms or Excess Application Forms have not been received by the registrar of the Company as at the Latest Time for Acceptance;
“%”	per cent.;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC.

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of HK\$1 = RMB0.81583 (being the RMB central parity rate by the People’s Bank of China as at 12 August 2015). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled.

The expected timetable for the Open Offer is set out below:

Event **(Hong Kong time)**

Latest time for lodging transfers of Shares to
be qualified for attendance at the SGM 4:30 p.m. on
Friday, 9 October 2015

Register of members of the Company closes for
determining entitlement to attend and vote
at the SGM Monday, 12 October 2015 to
Wednesday, 14 October 2015
(both dates inclusive)

Latest time to lodge proxy form for the SGM 10:00 a.m. on
Monday, 12 October 2015

Record date for determining entitlement
to attend and vote at the SGM Wednesday, 14 October 2015

Date of the SGM 10:00 a.m. on
Wednesday, 14 October 2015

Announcement of poll results of the SGM Wednesday, 14 October 2015

Register of members of the Company reopens Thursday, 15 October 2015

Last day of dealing in Shares on
a cum-entitlement basis Thursday, 15 October 2015

First day of dealing in Shares on
an ex-entitlement basis 9:00 a.m. on
Friday, 16 October 2015

Latest time for lodging transfer of Shares
in order to be qualified for the Open Offer 4:30 p.m. on
Monday, 19 October 2015

EXPECTED TIMETABLE

Register of members of the Company closes for determining entitlement to the Offer Shares	Tuesday, 20 October 2015 to Friday, 23 October 2015 (both dates inclusive)
Record Date for the Open Offer	Friday, 23 October 2015
Register of members of the Company reopens	Monday, 26 October 2015
Despatch of Prospectus Documents (in case of the Excluded Shareholders (except Overseas Shareholders in Canada), the Prospectus only).	Monday, 26 October 2015
Latest time for acceptance of, and payment for, the Offer Shares and excess application for Offer Shares.	4:00 p.m. on Monday, 9 November 2015
Latest time for termination of the Underwriting Agreement by Ming Xin Developments	Wednesday, 11 November 2015
Announcement of results of acceptance of the Open Offer and excess application for Offer Shares.	Monday, 16 November 2015
Despatch of share certificates for Offer Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares or if the Open Offer is terminated	Tuesday, 17 November 2015
Commencement of dealings in Offer Shares	9:00 a.m. on Wednesday, 18 November 2015
Effective date of the new board lot size of 10,000 Shares	9:00 a.m. on Wednesday, 18 November 2015

EXPECTED TIMETABLE

Designated broker starts to stand in the market
to provide matching services for odd lots of Shares 9:00 a.m. on
Wednesday, 18 November 2015

Designated broker ceases to stand in the market to
provide matching services for odd lots of Shares 4:00 p.m. on
Thursday, 10 December 2015

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Monday, 9 November 2015, being the date of the Latest Time for Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same business day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Monday, 9 November 2015, the dates mentioned in the above section headed “Expected timetable” in this circular may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Ming Xin Developments may, at its sole discretion after reasonable consultation with the Company, terminate the Underwriting Agreement by giving written notice to the Company at any time prior to the Latest Time for Termination if:

- (a) there occurs:
 - (i) the introduction of any new law or any material change in existing laws (or the judicial interpretation thereof);
 - (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic (including any disruption to trading generally or trading in any securities of the Company on any stock exchange, or a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict;
 - (iii) any act of God, fire, flood, explosion, epidemic, earthquake, nuclear or natural disaster, war, act of terrorism, riot, public disorder, civil commotion, strike or lock-out; or
 - (iv) any suspension or a material limitation in trading in securities generally on the Stock Exchange, or a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong,

and in the reasonable opinion of Ming Xin Developments, such change could have a material and adverse effect on the business, financial or trading position of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer;

- (b) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, which breach or omission could have a material and adverse effect on the business, financial or trading position of the Group as a whole;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (c) the Underwriters shall receive notification, or shall otherwise become aware of, any material breach of the warranties of the Company in the Underwriting Agreement and Ming Xin Developments shall, in its reasonable opinion, determine that any such breach represents or is likely to represent a material adverse change in the business, financial or trading position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer;
- (d) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (e) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Ming Xin Developments a material omission in the context of the Open Offer and which is likely to have a materially prejudicial effect on the Open Offer.

In the event that Ming Xin Developments exercises its rights to terminate or rescind the Underwriting Agreement as described above, the Open Offer will not proceed.

LETTER FROM THE BOARD



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

Executive Directors:

Shum Sai Chit (*Chairman*)

Chi Bi Fen

Non-Executive Directors:

Professor Meng Jian

Tam Wai Ho, Samson *JP*

Independent Non-executive Directors:

Kwong Ping Man

Cheung Sound Poon

Chen Gang

Registered office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

***Principal place of business
in Hong Kong:***

Room 2606A, 26th Floor

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

25 September 2015

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER OF 1,437,195,029 OFFER SHARES IN
GROUP SENSE (INTERNATIONAL) LIMITED AT HK\$0.20 PER OFFER
SHARE ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY ONE
(1) SHARE IN ISSUE ON THE RECORD DATE; AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 20 August 2015, the Company proposed to raise approximately HK\$287.44 million before expenses by issuing 1,437,195,029 Offer Shares, on basis of one (1) Offer Share for every one (1) existing Share in issue held on the Record Date at the Subscription Price of HK\$0.20 per Offer Share. The Open Offer will not be extended to the Excluded

* *For identification purpose only*

LETTER FROM THE BOARD

Shareholders. Qualifying Shareholders are entitled to apply for any Offer Shares not taken up by other Qualifying Shareholders under the Open Offer through excess application. However, excess application arrangement will not be made available to the Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer and Hecules Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details about the Open Offer; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its advice in relation to the Open Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer; (iv) the financial information and other general information of the Group; and (v) the notice convening the SGM.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One (1) Offer Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.20 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	1,437,195,029 Shares
Number of Offer Shares	:	1,437,195,029 Offer Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)
Number of Offer Shares to be taken up or procured to be taken up by the Undertaken Shareholders pursuant to the Undertakings	:	The Undertaken Shareholders have irrevocably undertaken to the Company to procure the acceptance of an aggregate of 826,507,845 Shares which will represent the assured allotment to them or their nominee(s) under the Open Offer

LETTER FROM THE BOARD

Underwriters	:	Ming Xin Developments and Earnmill (both Ming Xing Developments' and Earnmill's ordinary course of business does not include underwriting)
Enlarged issued share capital of the Company upon the completion of the Open Offer	:	2,874,390,058 Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)
Fund raised before expenses	:	Approximately HK\$287.44 million (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date).

The Offer Shares

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, 1,437,195,029 Offer Shares proposed to be allotted pursuant to the Open Offer represent (i) 100% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares.

As at the Latest Practicable Date, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The aggregate nominal value of the Offer Shares will be HK\$143,719,502.90.

Undertakings given by the Undertaken Shareholders

As at the date of the Undertakings, the Undertaken Shareholders were interested in 826,507,845 Shares, representing approximately 57.51% of the total issued share capital of the Company as at the Latest Practicable Date. The Undertaken Shareholders have irrevocably undertaken to the Company that (i) they will not dispose of an aggregate of 826,507,845 Shares beneficially owned by them from the date of the Undertakings up to and including the Record Date; (ii) they will procure the acceptance of the Offer Shares which will represent the assured allotment to them or their nominee(s) as holder(s) of such Shares under the Open Offer; and (iii) they have agreed that the excess application arrangement under the Open Offer will not be made available to them or their nominee(s).

LETTER FROM THE BOARD

Based on the Subscription Price of HK\$0.20 per Offer Share, the consideration payable by Undertaken Shareholders under the Open Offer pursuant to the Undertakings will amount to approximately HK\$165.30 million.

As at the Latest Practicable Date, (i) Ming Xin Developments holds 745,598,727 Shares, representing approximately 51.88% of the entire issued share capital of the Company; (ii) Earnmill holds 37,877,118 Shares, representing approximately 2.64% of the entire issued share capital of the Company; (iii) Mr. Tam and Dr. Tam jointly hold 40,732,000 Shares, representing approximately 2.83% of the entire issued share capital of the Company; and (iv) Mrs. Tam holds 2,300,000 Shares, representing approximately 0.16% of the entire issued share capital of the Company.

Basis of entitlement

The basis of the entitlement shall be one (1) Offer Share for every one (1) existing Share held on the Record Date, being 1,437,195,029 Offer Shares. Acceptance for all or any part entitlement of a Qualifying Shareholder should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must:

1. be a Shareholder whose name appear on the register of members of the Company on the Record Date; and
2. not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfer of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 19 October 2015.

Subscription Price

The Subscription Price is HK\$0.20 per Offer Share, which will be payable in full upon application for the relevant assured allotment of Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer.

LETTER FROM THE BOARD

The Subscription Price represents:

- (a) a discount of approximately 44.44% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day and the date of the Underwriting Agreement;
- (b) a discount of approximately 28.57% to the theoretical ex-entitlement price of approximately HK\$0.28 per Share on the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 50.0% to the average closing price of approximately HK\$0.40 per Share for the five consecutive trading days ended on the Last Trading Day;
- (d) a discount of approximately 52.38% to the average closing price of approximately HK\$0.42 per Share for the ten consecutive trading days ended on the Last Trading Day; and
- (e) a discount of approximately 41.18% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market price of the Shares, the market conditions, consecutive loss since 2008, the theoretical ex-entitlement price on the Last Trading Day and the ongoing business development of the Company which the Group is actively exploring to identify investment opportunities in relation to the magnesium product and its ancillary business for its ongoing business development so as to enhance the Group's potential growth in the long run and create better return for the Shareholders. The Directors (including the independent non-executive Directors) consider that the terms of the Open Offer, including the Subscription Price, which has been set at a discount to the recent closing prices of the Shares with an objective to encourage all Qualifying Shareholders to participate in the Open Offer on the pro-rata basis and to take up their entitlements so as to participate in the potential growth of the Group, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

Number of registered Shareholders	Jurisdiction	Number of Shares held
2	England	22,000
2 joint holders	United States of America	3,912,000
1	Canada	40,000

Each of the Overseas Shareholders represents less than 5% of the total issued Shares as at the Latest Practicable Date. Pursuant to Rule 13.36(2)(a) of the Listing Rules (including notes 1 and 2 thereto), the Company has made enquiry with its legal advisers regarding the legal restrictions (if any) under the laws of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange in respect of extending the Open Offer to the Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of England that the Company would be exempted from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of England since the Company would meet the relevant requirements for exemption. Based on such advice, the Directors believe that the Prospectus Documents may be despatched to the Overseas Shareholders in England without restrictions or compliance with registration requirements. In view of the above, the Directors are of the view that it is expedient to extend the Open Offer to the Overseas Shareholders in England.

The Company has received legal advice that the distribution of the Offer Shares to shareholders in Canada will require either (i) the filing and clearing of a prospectus in compliance with the prospectus requirements under the applicable securities law in Canada, which may be a lengthy and costly process; or (ii) the distribution be made under an exemption from the prospectus requirement. The Open Offer can be made under an exemption from the prospectus requirement as a rights offering, provided that the rights offering procedures are complied with, and the securities regulators being provided with prior notice and having not objected. The rights offering procedures in Canada include the filing and clearing of a draft rights offering circular prior to sending to shareholders and other requirements, unless an exemption is available from these requirements. A *de minimis* exemption is available to foreign issuers if the number of beneficial holders in Canada and in any Canadian province, as well as the number of Shares held by them, do not exceed certain limits. However, the *de minimis* exemption to such requirements would in effect require the Company to ascertain the place of residence of the beneficial owners of all issued Shares.

LETTER FROM THE BOARD

Based on the advice given by the Company's legal advisers with respect to the securities laws of the United States of America, securities offerings in the United States of America must either (i) be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), which may be a lengthy and costly process; or (ii) be offered in compliance with an exemption from the registration requirements under the Securities Act.

In order for the Open Offer to fall within the relevant exemption, the Company would be required to make certain enquiries to its Shareholders in the United States of America and make certain filings at both the federal and state levels.

Having considered the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, the Directors consider that it would be necessary or expedient to exclude the Overseas Shareholders with registered addresses in Canada and the United States of America from the Open Offer due to the time and costs involved in complying with the relevant legal requirements in Canada and the United States of America if the Open Offer were to be made to such Overseas Shareholders in Canada and the United States of America.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on Monday, 26 October 2015. The Company will send copies of the Prospectus to the Excluded Shareholders (except Overseas Shareholders in Canada) for their information only, but no Application Form and Excess Application Form will be sent to them.

Any Offer Shares which would otherwise have been in assured allotment of the Excluded Shareholders will be available for application by the Qualifying Shareholders who wish to apply for Offer Shares in excess of their own assured allotment.

Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

Ranking of the Offer Shares

The Offer Shares, when allotted and fully paid, will rank *pari passu* in all respects with the then Shares in issue on the date of allotment of the Offer Shares in fully-paid form, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

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Share certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 17 November 2015. If the Open Offer is terminated, refund cheques will be despatched on or before Tuesday, 17 November 2015 by ordinary post at the respective Shareholders' own risk. Each Shareholder will receive one share certificate for all allotted Offer Shares.

Fractions of the Offer Shares

No fractional entitlements to the Offer Shares will be allotted to individual Qualifying Shareholders. All such fractional entitlements will be aggregated and will be made available for subscription by those Qualifying Shareholders who wish to apply for Offer Shares in excess of their own assured allotment by way of excess application.

Application for the Offer Shares

The Application Form in respect of the assured allotment of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Offer Shares being taken up with the registrar of the Company by the Latest Time for Acceptance.

Application for Excess Offer Shares and Basis for Allocation of Excess Application

Qualifying Shareholders may apply, by way of excess application, for the Offer Shares to which the Excluded Shareholders would otherwise have been entitled to and for any assured allotment of Offer Shares not accepted by the Qualifying Shareholders and for the Offer Shares created by aggregation of fractional Offer Shares (if any), by completing the Excess Application Form(s) for application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being applied for by the Latest Time for Acceptance. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis according to the principle that any excess Offer Shares will be allocated to the Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of excess Offer Shares applied for by the Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

Excess application arrangement will not be made available to the Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam. Any Offer Shares not applied for by the Qualifying Shareholders and not taken up by excess application will be taken up by the Underwriters.

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Shareholders or investors of the Company should note that the number of excess Offer Shares which may be allocated to them may be different where they make applications for excess Offer Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. Investors with their Shares held by a nominee company should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Offer Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on Monday, 19 October 2015.

Application for listing

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

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Conditions of the Open Offer

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms or otherwise. The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” of this circular.

Closure of register of members for the Open Offer

To determine the entitlement to the Open Offer, the register of members of the Company will be closed from Tuesday, 20 October 2015 to Friday, 23 October 2015, both days inclusive. No transfer of Shares will be registered during this period.

The Underwriting Agreement

- Date : 20 August 2015 (after trading hours)
- Underwriters : Ming Xin Developments and Earnmill
- Number of Offer Shares to be underwritten : Taking into account the Undertakings, the Open Offer is fully underwritten. The total number of Underwritten Shares (excluding the 826,507,845 Offer Shares to be taken up by the Undertaken Shareholders or their nominee(s) pursuant to the Undertakings), being 610,687,184 Offer Shares, will be underwritten severally by the Underwriters on equal basis of 305,343,592 Offer Shares each.

The Untaken Shares shall be allocated to each of the Underwriters on equal basis, provided that if the total number of the Untaken Shares is not an even number, Ming Xin Developments shall first be allocated one Untaken Share and the remaining Untaken Shares shall be allocated to each of the Underwriters on equal basis.

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Commission : The Underwriters will receive a commission in respect of their underwriting of the Open Offer at 1.0% of the aggregate Subscription Price in respect of the Underwritten Shares

The commission rate was determined after arm's length negotiation between the Company and the Underwriters by reference to the market rate, the size of the Open Offer and the current and expected market condition. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, and are fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions of the Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (a) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM approving the Open Offer;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively on or before the posting date of the Prospectus Documents one copy of each of the Prospectus Documents duly certified (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (c) the posting of the Prospectus Documents to Qualifying Shareholders and of the Prospectus marked "For information only" to the Excluded Shareholders (except Overseas Shareholders in Canada) for information purpose only explaining the circumstances under which the Open Offer is not extended to them, in each case on the date of despatch of the Prospectus Documents;
- (d) the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions which the Company accepts and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;

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- (e) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten trading days (or such longer period as the Underwriters may otherwise agree) (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;
- (f) if required, the Bermuda Monetary Authority granting its consent to the issue of the Offer Shares on or before the Latest Time for Acceptance; and
- (g) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement.

Termination of the Underwriting Agreement

Ming Xin Developments may, at its sole discretion after reasonable consultation with the Company, terminate the Underwriting Agreement by giving written notice to the Company at any time prior to the Latest Time for Termination if:

- (a) there occurs:
 - (i) the introduction of any new law or any material change in existing laws (or the judicial interpretation thereof);
 - (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic (including any disruption to trading generally or trading in any securities of the Company on any stock exchange, or a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict;
 - (iii) any act of God, fire, flood, explosion, epidemic, earthquake, nuclear or natural disaster, war, act of terrorism, riot, public disorder, civil commotion, strike or lock-out; or

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- (iv) any suspension or a material limitation in trading in securities generally on the Stock Exchange, or a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong,

and in the reasonable opinion of Ming Xin Developments, such change could have a material and adverse effect on the business, financial or trading position of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer;

- (b) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, which breach or omission could have a material and adverse effect on the business, financial or trading position of the Group as a whole;
- (c) the Underwriters shall receive notification, or shall otherwise become aware of, any material breach of the warranties of the Company in the Underwriting Agreement and Ming Xin Developments shall, in its reasonable opinion, determine that any such breach represents or is likely to represent a material adverse change in the business, financial or trading position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer;
- (d) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (e) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Ming Xin Developments a material omission in the context of the Open Offer and which is likely to have a materially prejudicial effect on the Open Offer.

In the event that Ming Xin Developments exercises its rights to terminate or rescind the Underwriting Agreement as described above, the Open Offer will not proceed.

The Board (including the independent non-executive Directors) considers that the terms of the Underwriting Agreement and the amount of commission payable to the Underwriters are fair and reasonable as compared to the market practice and commercially reasonable as agreed among the parties of the Underwriting Agreement and it is in the interest of Shareholders as a whole.

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Shareholding structure of the Company

The table below set out the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately after the completion of the Open Offer.

	As at the Latest Practicable Date		Immediately after completion of the Open Offer, assuming all Qualifying Shareholders have taken up all Offer Shares		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders have taken up Offer Shares other than the Undertaken Shareholders under the Undertakings and taking no account of the sub-underwriting arrangement of the Underwriters) (Note 5)		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders have taken up Offer Shares other than the Undertaken Shareholders under the Undertakings and the maximum number of Offer Shares set under the sub-underwriting arrangement will be taken up by the sub-underwriter)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Shareholders								
Ming Xin Developments, one of the Underwriters (Notes 1, 3)	745,598,727	51.88%	1,491,197,454	51.88%	1,796,541,046	62.50%	1,742,585,881	60.63%
Earnmill, one of the Underwriters (Notes 1, 2, 3)	37,877,118	2.64%	75,754,236	2.64%	381,097,828	13.26%	327,142,663	11.38%
Dr. Tam and Mr. Tam (Note 4)	40,732,000	2.83%	81,464,000	2.83%	81,464,000	2.83%	81,464,000	2.83%
Mrs. Tam	2,300,000	0.16%	4,600,000	0.16%	4,600,000	0.16%	4,600,000	0.16%
Sub-total	826,507,845	57.51%	1,653,015,690	57.51%	2,263,702,874	78.75%	2,155,792,544	75.00%
Public								
Existing public Shareholders	610,687,184	42.49%	1,221,374,368	42.49%	610,687,184	21.25%	610,687,184	21.25%
Sub-underwriter	—	—	—	—	—	—	107,910,330	3.75%
Total	1,437,195,029	100.00%	2,874,390,058	100.00%	2,874,390,058	100.00%	2,874,390,058	100.00%

Notes:

- The Undertaken Shareholders have irrevocably undertaken to the Company that (i) they will not dispose of 826,507,845 Shares beneficially owned by them from the date of the Undertakings up to and including the Record Date; and (ii) they will procure the acceptance of the Offer Shares which will represent the assured allotment to them or their nominee(s) as holders of such Shares under the Open Offer.
- Earnmill Holdings Limited, a company incorporated in the BVI with limited liability on 10 November 1992 and is beneficially owned by Dr. Tam and Mr. Tam (being the elder brother of Dr. Tam) in equal shares.
- The Underwriters, being Ming Xin Developments and Earnmill, will each underwrite 305,343,592 Offer Shares pursuant to the Underwriting Agreement.

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4. Such Shares included (i) 25,732,000 Shares jointly owned by Dr. Tam and Mr. Tam; (ii) 6,000,000 Shares solely owned by Dr. Tam and (iii) 9,000,000 Shares solely owned by Mr. Tam.
5. Such scenario is for illustrative purpose only. As at the completion of the Open Offer, the Company will meet the public float requirement and it will comply with such requirement under Rule 8.08 of the Listing Rules at all times. The Underwriters have irrevocably, unconditionally, jointly and severally undertaken to the Company that they will take all appropriate steps as may be necessary or required to maintain the minimum public float of the Shares to not less than 25% of the Shares in issue upon completion of the Open Offer. As at the Latest Practicable Date, the Underwriters have arranged with Octal Capital, which is an independent third party, to act as the sub-underwriter to subscribe or procure subscriber(s) who is/are independent third party(ies) to subscribe for a maximum aggregate of 107,910,330 Offer Shares (representing approximately 3.75% of the entire enlarged issued share capital of the Company) to ensure that not less than 25% of the total number of issued Shares of the Company is held by the public Shareholders and the Company meets the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules upon completion of the Open Offer.

As at the Latest Practicable Date, the existing public shareholders held 42.49% of the entire issued share capital of the Company. Upon completion of the Open Offer (assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders other than the Undertaken Shareholders under the Undertakings and taking no account of the sub-underwriting arrangement of the Underwriters), the existing public shareholders will hold 21.25% of the entire enlarged issued share capital of the Company.

Undertakings given by the Underwriters and sub-underwriting arrangement

Pursuant to the public float requirements under Rule 8.08(1)(a) of the Listing Rules, the public Shareholders, at all times, must hold at least 25% of the total number of issued Shares of the Company. The Shares held by Ming Xin Developments and Earnmill (being the Underwriters), Dr. Tam, Mr. Tam and Mrs. Tam will not form part of the public float. Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders other than the Undertaken Shareholders under the Undertakings and taking no account of the sub-underwriting arrangement of the Underwriters, upon completion of the Open Offer, the aggregate shareholding of the Underwriters, Dr. Tam, Mr. Tam and Mrs. Tam may become over 75% of the total number of issued Shares of the Company and the Company may not be able to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the Underwriters have irrevocably, unconditionally, jointly and severally undertaken to the Company that they will take all appropriate steps as may be necessary or required to maintain or restore the minimum public float of the Shares to not less than 25% of the Shares in issue upon completion of the Open Offer. As at the Latest Practicable Date, the Underwriters have arranged with Octal Capital, which is an independent third party, to act as the sub-underwriter to subscribe or procure subscriber(s) who is/are independent third party(ies) to subscribe for a maximum aggregate of 107,910,330 Offer Shares (representing approximately 3.75% of the entire enlarged issued share capital of the Company) to ensure that not less than 25% of the total number of issued Shares of the Company is held by the public Shareholders and the Company meets

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the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules upon completion of the Open Offer. The sub-underwriting arrangement dated 15 September 2015 is binding on the Underwriters and Octal Capital. After the Latest Time for Acceptance, having taken into account of the minimum public float requirement, the Underwriters will notify Octal Capital such number of the Offer Shares to be sub-underwritten. Octal Capital will subscribe or procure independent third party(ies) to subscribe for such number of Offer Shares before the allotment and issue of the Offer Shares by the Company, to maintain the public float of the Shares upon completion of the Open Offer.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Offer Shares is approximately 22.22% as a result of Open Offer.

Information of the Underwriters

The principal activity of Earnmill is investment holding and it is ultimately beneficially owned by Dr. Tam and Mr. Tam in equal shares.

The principal activity of Ming Xin Developments is investment holding and it is indirectly wholly-owned by Century Sunshine.

Reasons for and benefits of the Open Offer and use of proceeds

The principal business activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services. The Company is an indirectly owned subsidiary of Century Sunshine and Century Sunshine (through Ming Xin Developments) has 51.88% shareholding interests in the Company. The principal activity of Century Sunshine is investment holding and its subsidiaries are principally engaged in magnesium business, fertiliser business and metallurgical flux business.

Century Sunshine Group commenced its production of magnesium products in July 2011. The magnesium products segment accounted for above 30% of the revenue of Century Sunshine Group for the three years ended 31 December 2014. Basic magnesium products and rare earth magnesium alloys are the two main business products for Century Sunshine Group's magnesium products segment. Basic magnesium products, with an average gross profit margin of approximately 19% for the three years ended 31 December 2014, include general magnesium alloys and magnesium ingots. Rare earth magnesium alloys, with an average gross profit margin of approximately 40% for the three years ended 31 December

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2014, are categorised as high-end magnesium alloys products. The average realised selling prices for rare earth magnesium alloys and basic magnesium products for the three years ended 31 December 2014 are approximately HK\$40,386 and HK\$20,002 per ton respectively.

With reference to the composite document of the Company, Century Sunshine and Ming Xin Developments dated 5 March 2015 in relation to the unconditional mandatory cash general offer, the Group is positioned to conduct magnesium product business and in particular future development of chain model of circular economy in magnesium and its product related business by leveraging on the experience and technology of Century Sunshine Group, including, (i) Professor Meng Jian, being a senior consultant of Century Sunshine and a non-executive Director, who has strong technical background and expertise in magnesium alloy smelting and research and development in new materials; and (ii) Mr. Shum Sai Chit, being an executive director of Century Sunshine and an executive Director, who has over 7 years of management experience of magnesium and magnesium related products business.

With reference to the joint announcement of the Company and Century Sunshine dated 12 August 2015 (the “**Joint Announcement**”), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement (the “**Share Transfer Agreement**”) with the Vendors (as defined below), pursuant to which the subsidiary of the Company (the “**Purchaser**”) has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity of Xinjiang Tengxiang Magnesium Products Company Limited* (“**Target Company**”) with a consideration of RMB72.28 million (equivalent to HK\$88.59 million) (the “**Acquisition**”). The Target Company has the capacity to produce semi coke and magnesium which is in-line with the future development of chain model of circular economy in magnesium and its product related business of the Group. The consideration of the Acquisition is to be fully settled by internal resources of the Company.

The possible unconditional mandatory cash general offer was closed on 26 March 2015. After the Board meeting on 31 March 2015 in relation to the review of the Company’s existing business and future development, the Board decided and authorised the Directors to search for investment opportunities in magnesium and magnesium related products. Subsequently, the Target Company was identified through the efforts of Mr. Shum who initiated the Acquisition by making a site visit to the Target Company for the purpose of meeting the management and understanding the business operation of the Target Company. On 14 May 2015, the Company entered into the framework agreement dated 14 May 2015 with the Vendors (the “**Framework Agreement**”) and began the due diligence of the Target Company.

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The Group performed due diligence in relation to the Acquisition, including:

- review of audited financial information of the Target Company for the three years ended 31 December 2014 and the four months ended 30 April 2015;
- analysed and evaluated financial performance and financial position of the Target Company;
- review of constitutional documents, licences and permits of the Target Company;
- reviewed and evaluated the legal opinion in relation to the Target Company prepared by PRC legal advisor engaged by the Company;
- conducted site visit of the Target Company and interview for its management;
- reviewed the business model, management structure and business operation of the Target Company; and
- deployed its own engineers and engaged an external senior engineer to examine the production facilities of the Target Company.

Along with the due diligence, the Directors are of the view that the consecutive losses for the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015 incurred by the Target Company were probably attributable to the inefficient corporate management. The Directors consider that, based on the extensive management knowledge of the Directors and the management team, the Group is competent to raise the corporate governance and management standards of the Target Company by adopting the corporate management system of the Group. In addition, the suspension of production of the Target Company was mainly due to the routine maintenance of its production facilities and lack of capital to maintain its current operation as a result of the consecutive losses for the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015. As a result of the lack of capital, the production for ferroalloys has not yet commenced.

After the signing of the Framework Agreement and completion of due diligence, the Directors have considered that, notwithstanding the Target Company has incurred consecutive losses for the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015, the Target Company (i) has existing authorised production capacity of semi coke, magnesium ingots and ferroalloys; (ii) has its existing production lines with production capacity of magnesium ingots and semi coke of 15,000

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tons and 900,000 tons respectively which requires three to four years to set-up; (iii) has existing production facilities which are in good quality and provide a good condition for technological reform; (iv) will only require around two months to reform the production facilities and production lines upon completion and restart the production with higher production efficiency, product quality and product nature; (v) has a large industrial premises with total area of 679,121m² which is sufficient for future expansion and development.

The Board is of the view that the Target Company is an ideal candidate for the investment in magnesium product business as it can offer the benefits of avoiding long application period for the permits, licenses and authorised production capacity of new projects as well as saving considerable time on construction of production lines. With this perspective, on 12 August 2015, all the Directors approved and endorsed the Acquisition in the Directors' meeting and the Purchaser entered into the Share Transfer Agreement with the Vendors.

The production base of the Target Company is located in Xinjiang region of the PRC, whereas the production base of the Century Sunshine Group is located in Jilin region of the PRC. Century Sunshine commenced its production of magnesium products in July 2011. According to the annual report of Century Sunshine for the year ended 31 December 2014, the magnesium product business contributed HK\$696.90 million to the Century Sunshine Group's revenue of HK\$2.07 billion, which accounted for above 30% of the revenue of the Century Sunshine Group with a year-on-year increase of 27.3%. For the year ended 31 December 2014, Century Sunshine recorded a gross segment profit of magnesium product business of HK\$224.54 million with a gross margin of 32.2%. For the six months ended 30 June 2015, the magnesium product business contributed HK\$379.47 million to Century Sunshine Group's revenue of HK\$1.20 billion, which accounted for approximately 31.5% of the total revenue of the Century Sunshine Group with an increase of 21.1%. For the six months ended 30 June 2015, Century Sunshine recorded a gross segment profit of magnesium product business of HK\$135.43 million with a gross margin of 35.7%. Given the successful track record of Century Sunshine in the technological development and production of magnesium products, the Company believes that, in the aspects of leveraging on the extensive knowledge in business operation and environment, experience of personnel and technology know-how of Century Sunshine Group in the magnesium sector, the Company can diversify the business and source of income of the Group into magnesium product and its ancillary business.

Upon completion of the Acquisition and technology reform of the Target Company, the enlarged Group, being the Company together with the Target Company will be positioned to (i) produce and sell mainly the basic magnesium products, including higher purity of magnesium ingots, magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products in the north-west region in the PRC and in particular future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the extensive knowledge in business operation

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and environment, experience of personnel and technology know-how of the Century Sunshine Group in the magnesium product sector, and (ii) to diversify the business and income source and to enhance the Company's potential growth. Upon completion of the Acquisition, the Company will focus on the development and production of magnesium and magnesium related products and the Directors will consider the construction of the production line and production of ferroalloys after completion of the Acquisition, whereas Century Sunshine Group is positioned to produce and sell mainly rare earth magnesium alloys and magnesium alloy ingots in the north-east region in the PRC. Century Sunshine did not participate in the negotiation of the Acquisition. The geographical differentiation between the enlarged Group and the Century Sunshine Group in production and sale of magnesium and magnesium related products is mainly due to the weight of raw materials and magnesium products and transportation cost. There will be no change in the board composition of the Company and none of the Vendors and/or the ultimate beneficial owners will be appointed as the director of the Company and/or the Target Company upon completion of the Acquisition.

Information of the Target Company

The Target Company is beneficially held as to 45.72% by 甘肅騰達西鐵資源控股集團有限公司 (transliterated as "Gansu Tengda West Iron Resources Holdings Group Co., Ltd.") ("**Gansu Tengda**"), 45.46% by 杭州鍋爐集團股份有限公司 (transliterated as "Hangzhou Boiler Group Co., Ltd.") ("**Hangzhou Boiler**") and 8.82% by Mr. Wang Jian Min (王建民), which are, to the best knowledge, information and belief of Directors, having made all reasonable enquiries, independent third parties (Gansu Tengda, Hangzhou Boiler and Mr. Wang Jian Min, collectively as the "**Vendors**"). Hangzhou Boiler is a company established in the PRC with limited liability and its shares are listed on the Shenzhen Stock Exchange (stock code: 002534).

The Target Company was established on 23 April 2008 with existing registered capital of RMB171.80 million. It is principally engaged in the production and sale of magnesium ingots and semi coke. The Target Company's production premises, including administration, research and development, and housing facilities are located at Hami Heavy Industrial Park District, Hami City, Xinjiang Uygur Autonomous Region, the PRC with total area of approximately 679,121m². As at 30 April 2015, the Target Company had over 280 employees. The authorised production capacity of the Target Company comprises 1,200,000 tons of semi coke, 60,000 tons of magnesium ingots and 100,000 tons of ferroalloys per annum. As at 30 April 2015, the Target Company has installed two major production lines, being the processing and production of magnesium ingots and semi coke with existing production capacity of 15,000 tons and 900,000 tons respectively. The Target Company commenced trial production of magnesium ingots and semi coke in July 2011 and October 2008 respectively under valid licences and permits issued by the PRC governmental authority. Although the government authorities granted an authorised production capacity 100,000 tons of ferroalloys per annum, due to lack of capital of the

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Target Company, the production line of ferroalloys has not yet been constructed. For each of the three years ended 31 December 2014 and four months ended 30 April 2015, the Target Company sold (i) approximately 7,660 tons, 6,796 tons, 8,333 tons and 2,007 tons of magnesium ingots at an average selling price of approximately RMB14,132, RMB13,082, RMB12,138 and RMB10,922 per ton respectively; and (ii) approximately 128,203 tons, 122,184 tons, 113,602 tons and 40,888 tons of semi coke at an average selling price of approximately RMB570, RMB527, RMB409 and RMB354 per ton respectively.

The Target Company has suspended production since May 2015 due to (i) the routine maintenance of its production facilities in which the Company will provide assistance on the maintenance of the production lines to ensure the production lines can restart and maintain normal operation, with the related maintenance cost of the production lines including the replacement of parts and labour costs being borne by the Vendors; and (ii) lack of capital to maintain its current operation. The Target Company intends to restart the production around December 2015 subject to the completion of the Acquisition. During the suspension of the production lines of the Target Company and up to the completion of the Acquisition, the Vendors are responsible for the work arrangement of the staff. The Directors confirm that during the suspension of the production lines and up to the Latest Practicable Date, there are no material adverse issues relating to the suspension of the production of the Target Company and no issue which needs to be addressed before the restart of the production.

The commercial production of magnesium and semi coke is subject to the issuance of permits and licences by the PRC government authorities, namely the acceptance of safety protection facilities and occupational disease protection facilities upon completion of the Acquisition by the safety production supervision authority and the safe production permit, which are expected to be obtained in December 2015. As at the Latest Practicable Date, the Target Company has obtained and is currently holding a number of valid permits, approvals and licences in relation to its construction, production and operation, including but not limited to: (i) the investment project filings at the Hami Development and Reform Commission; (ii) the environmental impact assessment approval and the environmental protection facilities inspection opinions from the Hami Environmental Protection Bureau; (iii) the state-owned land use right certificate from the Hami Land Resources Bureau; (iv) the construction land planning permit and the construction project planning permit from the Hami Planning Administrative Bureau; (v) the construction project safety conditions and design approvals from the Xinjiang Safety Production Supervision Department; (vi) the occupational diseases filing at the Hami Safety Production Supervision Bureau; (vii) the fire prevention facilities design and completion inspection approvals from the Hami Public Security Bureau; and (viii) the safety production approval for the trial production stage from the Hami Safety Production Supervision Bureau.

LETTER FROM THE BOARD

Financial information of the Target Company

The accountants' report of the Target Company for the three years ended 31 December 2014 and the four months ended 30 April 2015 (the "Track Record Period") contained (i) the disclaimer of opinion of the reporting accountant in relation to being unable to properly reconcile the inventory records as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 as a result of the reporting accountant being unable to satisfy with alternative means concerning the inventory quantities held and the carrying value of the inventories at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 and thus being unable to determine whether adjustment might have been necessary in respect of the loss for the period/years reported in the statements of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statements of cash flows for the year ended 31 December 2012, 31 December 2013 and 31 December 2014 and four months ended 30 April 2015; (ii) emphasis of matter in relation to net current liabilities of the Target Company as at 30 April 2015, a net loss incurred during the four months ended 30 April 2015 and operations of the Target Company being currently suspended which indicate the existence of a material uncertainty and may cast significant doubt about the Target Company's ability to continue as a going concern; and (iii) unmodified opinion on the statement of financial position as at 30 April 2015. A summary of the audited financial information of the Target Company for the three years ended 31 December 2014 and the four months period ended 30 April 2015, which are prepared in accordance with Hong Kong Financial Reporting Standards and accounting policies that are materially consistent with the Company's accounting policies, is set out below:

	For the year ended 31 December			For the four months period ended 30 April
	2012	2013	2014	2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	181,312	153,341	147,588	36,401
Loss before tax	(10,248)	(30,124)	(43,163)	(23,900)
Loss for the year/period	(10,248)	(30,124)	(43,163)	(23,900)

LETTER FROM THE BOARD

	As at 30 April 2015 <i>(RMB'000)</i> (Audited)
Current assets	34,527
Non-current assets	179,667
Total assets	214,194
Current liabilities	135,319
Non-current liabilities	—
Total liabilities	135,319
Net current liabilities	(100,792)
Net assets	78,875

During the Track Record Period, sales of magnesium ingots accounted for approximately 60%, 58%, 69% and 60% of total revenue respectively for each period and sales of semi coke accounted for the remaining. The Target Company also sold semi coke to the affiliates of Gansu Tengda, one of the Target Company's shareholders, which accounted for 12%, 17%, 13% and 12% of total revenue respectively for each period during the Track Record Period. Pursuant to the Share Transfer Agreement, the Target Company will continue to sell semi coke to Gansu Tengda and is expected to contribute approximately 18% of the total revenue of the Target Company upon completion of the Acquisition. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and is independent and not connected to Gansu Tengda. During the Track Record Period, the Target Company sold approximately 7,660 tons, 6,796 tons, 8,333 tons and 2,007 tons of magnesium ingots respectively and approximately 128,203 tons, 122,184 tons, 113,602 tons and 40,888 tons of semi coke respectively.

Major materials of magnesium ingots and semi coke include raw coal, dolomite and ferrosilicon, which in aggregate accounted for over 70% of the cost of sales for the three years ended 31 December 2014. Raw coal and dolomite were with abundant supply and were sourced from suppliers in Xinjiang region of the PRC whilst ferrosilicon was mainly sourced from Gansu Tengda during the Track Record Period.

The sales of semi coke accounted for 40%, 42%, 31% and 40% of total revenue respectively for each period during the Track Record Period, whilst its market price was adversely affected by the decelerating economic growth in the PRC and the weak market sentiment in the steel and other metal alloy industry in the PRC. The average sales price of semi coke has decreased from approximately RMB570 per ton for the year ended 31 December 2012 to approximately RMB354 per ton for the four months period ended 30 April 2015, representing a decrease of 38%.

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The sales of magnesium ingots accounted for 60%, 58%, 69% and 60% of total revenue respectively for each period during the Track Record Period. The existing production technology in terms of magnesium products only enabled the Target Company to produce magnesium ingots with low purity. In addition, in the PRC, due to eco-friendly nature of magnesium alloys, the demand for magnesium alloys is fuelled by the promotion of energy savings and emission reduction measures and the promulgation of policies supporting the development of related industries. The magnesium alloy, as compared with magnesium ingots, is with higher technological barriers to entry and higher selling price. Given that the economic growth in the PRC is decelerating and the Target Company was unable to re-engineer its magnesium production lines to improve product purity and variety to meet the market needs, the average sales price of magnesium ingots has decreased from approximately RMB14,132 per ton for the year ended 31 December 2012 to approximately RMB10,922 per ton for the four months period ended 30 April 2015, representing a decrease of 23%. In light of the authorised production capacity of 1,200,000 tons, 60,000 tons and 100,000 tons per annum for semi coke, magnesium ingots and ferroalloys, the Target Company, subject to the limitation of its current productions lines and technology, was unable to fully utilised the above-mentioned production capacity and the highest annual production amounts for semi coke and magnesium ingots were approximately 139,933 tons and 7,433 tons respectively during the Track Record Period. The production for ferroalloys has not yet commenced.

For the year ended 31 December 2014 and four months ended 30 April 2015, the major customers of the Target Company are mainly engaged in the manufacturing, wholesale and retail of magnesium, magnesium alloy, magnesium related products and other metal products and the provision of resource storage services in the north-west region of the PRC. The products of the Target Company's major customers consist of calcium carbide, silicon alloy, chromium alloy, semi coke powder, high purity magnesium ingots, magnesium rod, magnesium sheet, magnesium alloy and other customised magnesium forging, casting and extrusion made from semi coke and magnesium ingots.

For the year ended 31 December 2014 and four months ended 30 April 2015, the major suppliers of the Target Company are mainly engaged in the supply of raw coal, ferrosilicon, dolomite and recovery cylinder and the provision of transportation services in the north-west region of the PRC.

As a result of (a) the decrease in the sales price of semi coke and magnesium ingots during the Track Record Period; (b) the existing management not being able to re-engineer its magnesium production lines to meet the market need during the Track Record Period; and (c) the authorised production capacity not being fully utilised based on the existing production lines and technology, the Target Company incurred consecutive losses during the Track Record Period.

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Despite the abovementioned disclaimer of opinion and emphasis of matter of the reporting accountant due to the fact that: (i) no perpetual inventory counts were performed and the Target Company's management did not implement any standardised inventory count procedure guidance; and (ii) no proper inventory record system was built up by the Target Company's management and the regular reconciliation between the inventory and accounting records was not properly performed and maintained during the Track Record Period, an unmodified opinion on the statement of financial position as at 30 April 2015 was issued as proper inventory count was performed after the Track Record Period and the inventory records and inventory quantities as at 30 April 2015 were properly reconciled and adjusted based on the inventory count results. The Directors expect that the Group's financial statements will not be qualified or disclaimed by the Group's auditors upon completion of the Acquisition as the Company will implement safeguards including, (i) before the completion of the Acquisition, the Vendors will procure the sale or disposal of all the semi coke of the Target Company amounted to 24,427 tons as at 30 April 2015, which accounted for approximately 50% of the inventory as at 30 April 2015 (the remaining inventory mainly comprises of small volume of magnesium ingots at 389 tons and spare parts), in exchange of cash and cash equivalents to be maintained in the accounts of the Target Company as a result to clear off slow turn-over inventories before suspension; (ii) arrange the counting of the physical inventories on completion date of the Acquisition and at each of the Group's financial year end with the Group's auditors attendance to ensure inventory counts are properly performed and maintained; and (iii) upon technological re-engineering of the Target Company's production lines and facilities together with improvement of management systems, the Directors believe the Target Company will achieve growth in profit. Given the above, the Directors believe that the deficiencies in inventory and accounting records can be mitigated upon completion of the Acquisition and future growth in profit of the Target Company upon completion of technological re-engineering can be achieved, the Directors are of the view that the Acquisition, despite the disclaimer of opinion and emphasis of matter in the accountants' report, is fair and reasonable.

BUSINESS PLAN

Immediately upon completion of the Acquisition, the Group plans to invest a total of approximately RMB45 million (equivalent to HK\$56 million) to technical reform and restart of the production lines and production facilities of the Target Company. Firstly, the Company will reform and upgrade smelting workshop and production lines, increase alloy equipment and vacuum furnaces and other facilities to enhance the product quality and wider product variety of the Target Company. In addition, the Company intends to technologically reform part of the production facilities of the Target Group including installing additional ventilation, conveyor and injection equipment of the smelting systems to increase the temperature of the materials in the preheater which in turn produce higher purity of magnesium ingots, reduce fuel consumption and production cost and increase productivity. The Company expects to complete the reform of the smelting workshop, production lines and production facilities in around two months after completion of the Acquisition.

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Secondly, the Company will then expand the production facilities and production lines to produce new products of the Target Company including magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products. The Company expects to complete the second stage of reform within six months after completion of the Acquisition.

In light of the above technology reform of the Target Company, the Directors target to achieve:

- (a) a substantial reduction of production cost of magnesium ingots by at least 20%;
- (b) production of high purity magnesium ingots which are selling at a price representing RMB1,200 to RMB1,500 higher than the price of low end magnesium ingots and improve the profit margin of the Target Company; and
- (c) expansion of the current product lines of the Target Company by producing new products including magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products to further improve the Target Company's profitability.

While carrying out the technology reform, the Group will enhance corporate governance and management standard by (i) strengthening the accountability of the production manager and assessment system on the production cost; (ii) establishing management appraisal system of procurement and sales and standardising the management of production process and control to ensure consistent product quality; and (iii) providing various incentives to retain and attract technical and management talents. The Company also plans to engage Professor Meng Jian, being the non-executive Director and the research analyst of Changchun Institute of Applied Chemistry, Chinese Academy of Sciences, as a consultant of the Target Company. Professor Meng Jian has extensive experience and knowledge in magnesium alloy technology and applications.

The Directors believe that by reforming the production lines and raising the technical level, management efficiency of the Target Company could be improved and the Target Company will be able to enhance the quality of magnesium ingots and commence the production of electrolyte magnesium, magnesium alloy rods and other magnesium ancillary products to meet the current market need in terms of product quality and variety. The proposed board composition of the Target Company upon completion of the Acquisition will comprise three members, two members of which will be Mr. Shum Sai Chit, being the Chairman and executive Director, and Ms. Chi Bi Fen, being the Chief Executive Officer and executive Director. Professor Meng Jian, being the non-executive Director, will be engaged as a consultant of the Target Company. Please refer to the section headed "Directors and senior management of the Company" in Appendix III to this circular for the biographies of the proposed new board members and consultant of the Target Company.

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By applying stringent control on cost of production, comprehensive corporate governance and management standards of the Company, being a Hong Kong listing company, the cost and working capital management of the Target Company will be substantially improved and the Target Company will be well-positioned to meet the market demand for magnesium alloys.

Having considered (a) the research and development capability and technological edges of Century Sunshine Group in the field of magnesium products; (b) proposed board composition and its expertise in magnesium and magnesium related product; (c) the technological level and management efficiency of the Target Company to be enhanced; and (d) the comprehensive corporate governance and management to be applied to the Target Company, the Directors are confident that the business model, results of operations and financial condition of the Target Company will be improved which will create value to the shareholders of the Company.

Management Independence

The Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Each Director is aware of his/her duties as a Director and his/her other interests. Under the memorandum of association and bye-laws and policies on conflict of interest of the Company, all transactions concerning conflicts of interest must be disclosed to and approved by the Board with due care and consideration. A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her associates is materially interested.

Mr. Shum is the Chairman and Ms. Chi is the Chief Executive Officer, and they are also the executive Directors. Mr. Kwong Ping Man is the independent non-executive Director. Given that Mr. Shum, Ms. Chi and Mr. Kwong have positions both in the Company and Century Sunshine Group and in the event that there is a potential conflict of interest arising out of any transaction to be entered into among the Group and Century Sunshine Group and/or its subsidiaries, they shall abstain from voting (nor be counted in the quorum) during the Directors' meetings of the Company on the resolution to approve such transactions.

The Board confirms that in any event where Mr. Shum, Ms. Chi and Mr. Kwong are required to abstain from voting (nor be counted in the quorum) during the Directors' meetings of the Company on the resolution to approve such transactions, Professor Meng Jian, Mr. Tam Wai Ho, Samson, Mr. Cheung Sound Poon and Mr. Chen Gang, being the remaining members of the Board (the "**Remaining Board**"), have sufficient experience and competency to manage the operation of the Company and will not materially affect the decision of the Board. Please refer to section headed "Directors and senior management of the Company" in Appendix III to this circular for the biographies of the Remaining Board.

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In addition to the extensive experience and diversified role of each member of the Remaining Board, the Company will take measures to enhance the standard of the senior management of the Target Company. Other than reviewing and assessing the standards of the existing senior management of the Target Company, the Company has also identified potential candidates with specialised expertise and experience, including production management, cost control, risk management and internal control, quality control and research and development, who are suitable to be appointed as senior management of the Target Company. The existing and additional members of the senior management team of the Target Company will be independent of and not connected to the Century Sunshine Group. Further, the Company is in the process to enhance the diversity of the composition of Board by seeking suitable candidates with a view to increase the independency of the Board from the Century Sunshine Group.

Based on the Subscription Price of HK\$0.20, the estimated gross proceeds of the Open Offer will be approximately HK\$287.44 million (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the Record Date). The net proceeds from the Open Offer to be received by the Company is expected to be approximately HK\$283.99 million. The net price per Offer Share is approximately HK\$0.20.

The Company intends to apply (i) approximately HK\$198.79 million, representing approximately 70% of the net proceeds of the Open Offer as funding for the expansion and business development of the Target Company (which approximately (a) HK\$83.49 million, representing approximately 42% of such portion for the repayment of loans and bank borrowings, including an advance of RMB20.00 million (equivalent to HK\$24.51 million) for the repayment of a pledged bank loan of the Target Company subject to the prerequisite of having registered with the Administration for Industry and Commerce for the transfer of the equity interest to the Purchaser before completion of the Acquisition and the remaining loan and bank borrowing required to be repaid within one year from signing of the Share Transfer Agreement, (b) approximately HK\$55.66 million, representing approximately 28% of such position for re-engineer of the production lines immediately upon completion of the Acquisition which was determine based on the Group's preliminary field assessment on the current status of the plants and equipment of the Target Company and (c) approximately HK\$59.64 million, representing approximately 30% of such portion for working capital of which approximately HK\$50.69 million will be applied for purchasing cost and direct cost of production and approximately HK\$8.95 million will be applied for administration expenses, selling and distribution expenses and finance cost; (ii) approximately HK\$56.80 million, representing approximately 20% of the net proceeds of the Open Offer for investment activities of the Group in magnesium and its products related business when such investment opportunities arise; and (iii) approximately HK\$28.40 million, representing approximately 10% of the net proceeds of the Open

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Offer as the general working capital to develop the existing design and manufacturing of electronic products and services business of the Group. The net proceeds allocated for general working capital is intended to be applied mainly for the development of the PRC market and research and development capabilities of its existing design and manufacturing of electronic products and services business (approximately HK\$7.10 million representing approximately 25% of such portion for selling and distribution expenses, approximately HK\$15.05 million, representing approximately 53% of such portion for administrative expenses and approximately HK\$6.25 million, representing approximately 22% of such portion for research and development expenses towards the Group's development in its existing design, manufacturing of electronic products and design business). Further, the Board aims to identify equity interest investment opportunities with controlling rights in companies operating in magnesium and its related products industry that are in line with the development of the Group.

In case where the Acquisition referred to in the intended uses do not materialise or is expected to be delayed for a considerable period of time, the Group will apply approximately HK\$59.64 million, representing approximately 30% of such 70% portion of the net proceeds for general working capital to develop the Group's existing design and manufacturing of electronic products and services (approximately HK\$14.91 million for selling and distribution expenses, approximately HK\$31.63 million for administrative expenses and approximately HK\$13.10 million for research and development expenses) and approximately 70% of such 70% portion of the net proceeds for further investments in magnesium and its products related business for mainly basic magnesium and magnesium related business, or in other businesses that the Board considers appropriate. As at the Latest Practicable Date, save for the Acquisition the Group has not proposed or entered into any plan or any (written or oral) business arrangements, transactions, agreements, understanding or negotiation that involve possible acquisitions or investment opportunities.

Among different fund raising methods, the Directors have focused on evaluating the possibilities of carrying out fund raising by way of rights issue or open offer as they are relatively larger in scale as compared to placing of new Shares under a general mandate. The Board will not consider debt financing at this stage as the expected finance costs are high and additional borrowings will deteriorate the gearing position of the Group.

Although rights issue, as compared to an open offer, can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, rights issue would involve extra administrative work and cost for the preparation, printing, posting and processing of trading arrangements in relation to the nil-paid rights. The Company will also involve additional time and incur resources to administer the trading of the nil-paid rights including communication between the

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Company and other parties such as the registrar or financial printer. In addition, in view of the average trading volume in the past twelve months before the Last Trading Day, were only approximately 1.09% of the total issued Shares, there is uncertainty of the existence of a market to trade the nil-paid rights. The Directors intend not to invest the resources for the extra administrative work and cost for the trading arrangements in relation to the nil-paid rights to the business development of the Company. In view of the above, the Directors consider that raising funds by way of the Open Offer is more cost-effective and efficient as compared to a rights issue. The objective of the Open Offer is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in Shareholders base, and to enable them to participate in the Company's future growth and development. Based on Century Sunshine's proven financial performance in magnesium-related business and by leveraging on the experience, technology and business network of magnesium product business of Century Sunshine and its subsidiaries, the Directors are confident that the Group will have a positive growth in the development of chain model of circular economy in magnesium. The Board therefore considers, since the Open Offer will already give the Qualifying Shareholders an equal and fair opportunity to maintain their respective prorata shareholding interests in the Company even without the right to trade their nil-paid rights as in a rights issue, on balance, to conduct the Open Offer instead of a rights issue will be more beneficial to the Company and Shareholders in the current circumstances.

The Board also considers that it is prudent to finance the Group's long term growth by way of the Open Offer which will not only strengthen the Group's capital base and enhance its financial position, without having to incur interest expenses as compared to debt financing, but will also allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Open Offer at a discount to the current market price of the Shares. Accordingly, the Board considers that the fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

Fund raising exercises of the Company in the past 12 months

Apart from the fund raising activities mentioned below, the Company had not raised any other funds by equity issue in the past twelve months immediately preceding the date of the Announcement:

Date of announcement	Fund raising activity	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
6 January 2015	Issue of 239,532,000 new Shares for an aggregate subscription price of HK\$76.65 million	General working capital and exploration of new business opportunities of the Group	HK\$76.65 million has not yet been utilised, it will be used for funding the Acquisition

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CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT

Ming Xin Developments, being a controlling shareholder of the Company, is a connected person of the Company. Dr. Tam is a non-executive director of the Company and Mr. Tam is a past director of the Company within the past twelve months. Both of them are also directors of certain subsidiaries of the Company. As such, they are connected persons of the Company. Earnmill, being a company jointly owned by Dr. Tam and Mr. Tam, is an associate of them and therefore also a connected person of the Company. As the Underwriters are connected persons of the Company and an underwriting commission is payable to the Underwriters, the entering into of the Underwriting Agreement by the Company constitutes a connected transaction for the Company under the Listing Rules.

As the Underwriting Agreement is on normal commercial terms and the relevant percentage ratios (as defined in the Listing Rules) regarding the amount of underwriting commission payable by the Company is less than 5%, it is subject to reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

CHANGE IN BOARD LOT SIZE

As disclosed in the Announcement, the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 10,000 Shares with effect from 9:00 a.m. on Wednesday, 18 November 2015. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Company has arranged odd lot matching services in order to facilitate the trading of odd lots (if any). For details of the arrangements on the change of board lot size, please refer to the Announcement.

WARNING OF THE RISK OF DEALINGS IN SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Ming Xin Developments not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 16 October 2015 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

LETTER FROM THE BOARD

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Tuesday, 17 November 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

GENERAL

As the Open Offer will increase the issued share capital of the Company by more than 50%, the Open Offer is subject to, among other things, the approval by the Independent Shareholders at the SGM. Ming Xin Developments and Earnmill are holding 745,598,757 Shares and 37,877,118 Shares as at the Latest Practicable Date respectively (representing approximately 51.88% and 2.64% of the issued share capital as at the Latest Practicable Date). Ming Xin Developments and Earnmill together with Mr. Tam and Dr. Tam (being the ultimate beneficial owners of Earnmill) and Mrs. Tam (being the wife of Dr. Tam), will abstain from voting in favour of the resolution to approve the Open Offer at the SGM.

To determine the entitlements to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 12 October, 2015 to Wednesday, 14 October 2015 (both dates inclusive). No transfer of Shares will be registered during this period.

In order to be registered as members of the Company on Monday, 14 October 2015 (being the record date for attendance and voting at the SGM), Shareholders must lodge any transfer of existing Shares (together with the share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 9 October 2015.

Subject to the approval of the Open Offer by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on Monday, 26 October 2015. Subject to the advice of the Company's legal advisers in the relevant jurisdiction and to the extent reasonably practicable, the Prospectus will be despatched to the Excluded Shareholders (except Overseas Shareholders in Canada) for information purposes only.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of Hercules Capital) are of the opinion that the terms of the Open Offer are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of Hercules Capital) recommend the Independent Shareholders to vote in favour of the resolution in relation to the Open Offer to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 45 to 46 of this circular and the letter from Hercules Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Open Offer, as set out on pages 47 to 77 of this circular.

Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer on page 45 to 46 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 47 to 77 of this circular, considers that the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Open Offer at the SGM.

ADDITIONAL INFORMATION

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

By the order of the Board
Group Sense (International) Limited
Shum Sai Chit
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

25 September 2015

To the Independent Shareholders

Dear Sirs or Madams,

PROPOSED OPEN OFFER OF 1,437,195,029 OFFER SHARES IN GROUP SENSE (INTERNATIONAL) LIMITED AT HK\$0.20 PER OFFER SHARE ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY ONE (1) SHARE IN ISSUE ON THE RECORD DATE

We refer to the circular of the Company to the Shareholders dated 25 September 2015 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the Open Offer and the transactions contemplated thereunder.

Hercules Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 47 to 77 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 12 to 44 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of, Hercules Capital as set out in the “Letter from Hercules Capital” in the Circular, we are of the opinion that the terms of the Open Offer and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Open Offer and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

Mr. Kwong Ping Man	Mr. Cheung Sound Poon	Mr. Chen Gang
<i>Independent non-executive</i>	<i>Independent non-executive</i>	<i>Independent non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>

LETTER FROM HERCULES CAPITAL

The following is the text of a letter of advice from Hercules Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, regarding its advice on the Open Offer prepared for the purpose of incorporation into this circular.

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

25 September 2015

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**PROPOSED OPEN OFFER OF 1,437,195,029 OFFER SHARES IN
GROUP SENSE (INTERNATIONAL) LIMITED
AT HK\$0.20 PER OFFER SHARE ON THE BASIS OF ONE OFFER
SHARE FOR EVERY ONE SHARE IN ISSUE ON THE RECORD DATE**

1. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, details of which are set out in the Letter from the Board contained in the circular of the Company dated 25 September 2015 to the Shareholders (the “Circular”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 20 August 2015, the Company announced that it proposed to raise approximately HK\$287.44 million, before expenses, by issuing 1,437,195,029 Offer Shares to the Qualifying Shareholders on the basis of one Offer Share for every one existing Share in issue held on the Record Date at the Subscription Price of HK\$0.20 per Offer Share.

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As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer is conditional on, among other things, the approval by the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their associates shall abstain from voting in favour of the resolution relating to the Open Offer. As at the Latest Practicable Date, Century Sunshine held, through Ming Xin Developments, approximately 51.88% equity interests in the Company. Given that (i) Ming Xin Developments is a controlling Shareholder; and (ii) Ming Xin Developments and Earnmill, which held 37,877,118 Shares, representing approximately 2.64% of the entire issued share capital of the Company as at the Latest Practicable Date, are the Underwriters of, and thus have interests in, the Open Offer, Ming Xin Developments and Earnmill together with Mr. Tam and Dr. Tam (being the ultimate beneficial owners of Earnmill) and Mrs. Tam (being the spouse of Dr. Tam) shall abstain from voting on the resolution relating to the Open Offer at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang, has been established to advise the Independent Shareholders on the Open Offer. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Open Offer, in particular as to whether the terms of the Open Offer are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates.

2. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the SGM. The Directors have jointly and severally accepted

LETTER FROM HERCULES CAPITAL

full responsibility for the accuracy of the information contained in the Circular. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Underwriting Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

We have not considered the tax consequences on the Independent Shareholders arising from the subscription for, holding of, or dealing in, the Offer Shares or exercising any right attached thereto or otherwise, since these are particular to their individual circumstances. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional advisers without delay.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Open Offer, we have taken into consideration the following principal factors and reasons:

3.1 Financial Information of the Group

The Group is principally engaged in design, manufacture and sale of original design manufacturing (“ODM”) products, electronic dictionary products and personal communication products and the provision of electronic manufacturing services.

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The audited consolidated financial information of the Group for the year ended 31 March 2014 and 31 March 2015, as extracted from the annual report of the Company, is summarized as follows:

	For the year ended	
	31 March	
	2015	2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Revenue		
— Personal communication products	67,914	78,158
— Strategic products	156,019	271,224
	223,933	349,382
Loss before taxation	(110,504)	(86,789)
Loss attributable to equity holders of the Company	(107,460)	(80,409)
		As at
		31 March
		2015
		<i>HK\$ '000</i>
Non-current assets		156,516
Current assets		182,980
Total assets		339,496
Non-current liabilities		42,000
Current liabilities		87,756
Total liabilities		129,756
Net assets		209,740
Net asset attributable to equity holders of the Company		216,311

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The revenue of the Group for the year ended 31 March 2015 amounted to approximately HK\$223.9 million, of which approximately 69.7% was generated from the strategic products segment, including design, manufacture and sale of ODM products and electronic dictionary products and provision of electronic manufacturing services, while the remaining balance was generated from personal communication products segment which includes design, manufacture and sale of a range of communication products. As compared to the year ended 31 March 2014, the Group's revenue decreased by approximately 35.9% for the year ended 31 March 2015, which was mainly attributable to the decrease of approximately 34.9% in sales for the Japan market, which accounted for approximately 55.1% of the Group's revenue for the year ended 31 March 2015, due to the unfavourable impacts of the continual depreciation of Japanese yen and the economic downturn in Japan, and the delay in launch of certain new personal communication products to the market. The reduction of the Group's revenue lowered the gross profit of the Group by approximately HK\$24.6 million (or 36.0%) as compared to the previous year and led to the increase in loss before taxation from approximately HK\$86.8 million for the year ended 31 March 2014 to approximately HK\$110.5 million for the year ended 31 March 2015. The loss attributable to equity holders of the Company also increased by approximately HK\$27.1 million to approximately HK\$107.5 million for the year ended 31 March 2015.

As at 31 March 2015, the current assets and current liabilities of the Group amounted to approximately HK\$183.0 million and HK\$87.8 million respectively. Accordingly, the Group had net current assets of approximately HK\$95.2 million and current ratio of approximately 2.08, as calculated as current assets over current liabilities. The current assets of the Group mainly comprised inventories, trade receivables and cash and cash equivalents, which amounted to approximately HK\$35.5 million, HK\$21.1 million and HK\$112.1 million respectively. The current liabilities of the Group mainly consisted of trade payables, other payables and accruals as well as interest-bearing bank borrowings which amounted to approximately HK\$18.1 million, HK\$38.1 million and HK\$27.8 million respectively.

The Group's non-current assets amounted to approximately HK\$156.5 million, which mainly included property, plant and equipment, prepaid land lease payments, available-for-sale investments and investments in joint ventures. The Group had non-current liabilities, which were loan from a shareholder, of approximately HK\$42.0 million as at 31 March 2015. As at 31 March 2015, the Group's total assets and total liabilities amounted to approximately

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HK\$339.5 million and HK\$129.8 million respectively. Thus, the Group had net assets of approximately HK\$209.7 million and a gearing ratio, representing a percentage of total liabilities over total assets, of approximately 38.2% as at 31 March 2015. Excluding the net liabilities of the non-controlling interests of approximately HK\$6.6 million, the net assets attributable to the Shareholders amounted to approximately HK\$216.3 million.

Given the current status of cash and cash equivalents, current ratio, gearing ratio, net current assets and net assets attributable to the Shareholders, we are of the view that the Group is in a healthy financial position and the Group does not have any urgent financing needs if there are no substantial changes in its businesses and financial position or material investments and development plans.

3.2 Future Development of the Group

Subsequent to the change in control of the Company and the formation of the new Board in March 2015, the Group is positioned to conduct magnesium product business, which is a new business to the Group, by leveraging on the experience, technology and business network of magnesium product business of Century Sunshine, which is the ultimate beneficial owner of the controlling Shareholder and is principally engaged in magnesium business, fertiliser business and metallurgical flux business.

Although both the Group and Century Sunshine Group shall engage in the magnesium business, the Directors consider that there shall be no direct competition between the two groups. The Group will be positioned to produce and sell mainly the basic magnesium products including higher purity of magnesium ingots, magnesium alloys rods, electrolyte magnesium and other magnesium ancillary products in the north-west region in the PRC and in particular future development of chain model of circular economy in magnesium and magnesium product related business whereas Century Sunshine Group is positioned to produce and sell mainly rare earth magnesium alloys and magnesium alloy ingots in the north-east region in the PRC.

On 12 August 2015, Hong Kong New Materials Industry Investment Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with certain independent vendors to acquire the entire equity interest in Xinjiang Tengxiang Magnesium Products Company Limited (“Xinjiang Tengxiang”), which is principally engaged in the production and sale of magnesium ingot and semi coke, at a total consideration of RMB72.28

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million (equivalent to approximately HK\$88.59 million) in cash. As at the Latest Practicable Date, the acquisition has not been completed yet. It is expected that the completion of the acquisition shall take place in November 2015.

As disclosed in the Letter from the Board contained in the Circular, Xinjiang Tengxiang has an approved production capacity of 1,200,000 tons of semi coke, 60,000 tons of magnesium ingot and 100,000 tons of ferroalloy per annum. As at 30 April 2015, Xinjiang Tengxiang had over 280 employees and had installed two major production lines for the processing and production of magnesium ingot and semi coke with existing production capacity of 15,000 tons and 900,000 tons respectively. Xinjiang Tengxiang commenced trial production of magnesium ingot and semi coke in July 2011 and October 2008 respectively under valid licences and permits issued by the PRC governmental authority. However, due to lack of capital, Xinjiang Tengxiang has not constructed the production line of ferroalloy yet although the government authorities have already granted it an approval for an annual production capacity of 100,000 tons of ferroalloy.

For each of the three years ended 31 December 2014 and the four months ended 30 April 2015, Xinjiang Tengxiang sold (i) approximately 7,660 tons, 6,796 tons, 8,333 tons and 2,007 tons of magnesium ingot respectively; and (ii) approximately 128,203 tons, 122,184 tons, 113,602 tons and 40,888 tons of semi coke. Xinjiang Tengxiang has suspended its production of magnesium ingot and semi coke since May 2015 due to routine maintenance of its production facilities and lack of capital for maintaining its current operations.

The revenue of Xinjiang Tengxiang amounted to approximately RMB181.3 million, RMB153.3 million, RMB147.6 million and RMB36.4 million for the year ended 31 December 2012, 31 December 2013, 31 December 2014 and four months ended 30 April 2015 respectively. However, Xinjiang Tengxiang recorded continuous losses for the three years ended 31 December 2014 and the four months ended 30 April 2015.

We also noted that the accountants' report of Xinjiang Tengxiang for the three years ended 31 December 2014 and the four months ended 30 April 2015 contained (i) a disclaimer of opinion on the inventory records to support the inventory balances as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 could not be properly reconciled to the accounting records and thus the reporting accountants were unable to determine whether adjustments were necessary in respect of the loss for the period/years reported in the statements of profit or loss and other comprehensive income

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and the net cash flows from operating activities reported in the statements of cash flows for the three years ended 31 December 2014 and the four months ended 30 April 2015; and (ii) an emphasis of matter that Xinjiang Tengxiang had net current liabilities as at 30 April 2015, incurred net loss for the four months ended 30 April 2015 and has suspended its operations recently, and the abovementioned conditions indicated the existence of a material uncertainty which might cast significant doubt about the ability of Xinjiang Tengxiang to continue as a going concern.

We have discussed with the management of the Company about the reasons for the acquisition of Xinjiang Tengxiang and the future development plan of Xinjiang Tengxiang given the loss-making track record and net current liability position of Xinjiang Tengxiang.

We were advised by the management of the Company that Xinjiang Tengxiang's existing production technology in terms of magnesium products only enabled it to produce magnesium ingot with low purity. Due to limitation of resources, Xinjiang Tengxiang was unable to re-engineer its magnesium production lines to improve product purity and variety to meet the market demand of higher value products such as magnesium alloys. Xinjiang Tengxiang's annual production capacities of semi coke and magnesium ingot for the past few years were substantially lower than its approved maximum production capacity and its production facilities were under-utilized. Furthermore, the performance of Xinjiang Tengxiang was adversely affected by the economic downturn in the PRC. Xinjiang Tengxiang's average selling price of magnesium ingots decreased from approximately RMB14,132 per ton for the year ended 31 December 2012 to approximately RMB 10,922 per ton for the four months ended 30 April 2015, representing a decrease of approximately 23%.

By leveraging on the experience and technology of Century Sunshine in magnesium product business, the Group is confident that it can successfully shift the product mix of Xinjiang Tengxiang to high-end magnesium alloy products with higher profit margin by upgrading the production facilities and technologies of Xinjiang Tengxiang after completion of the acquisition. The Company shall re-engineer the production lines of Xinjiang Tengxiang to enable it to restart and maintain normal operation with higher product quality and production efficiency so as to meet the current market needs in terms of product quality and variety. Xinjiang Tengxiang intends to commence commercial production of magnesium ingot and semi coke upon the issuance of permits and licences by the PRC government authorities, which are expected to be obtained in December 2015, after completion of the acquisition by the Group.

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The Board considers that the business of Xinjiang Tengxiang is in line with the Group's future development focus and the acquisition of Xinjiang Tengxiang can diversify the business and source of income of the Group and provide a ready platform for the Group to develop the magnesium product business, which is believed to have promising development potential in the long term in view of the proven financial performance and successful track records in magnesium-related business of Century Sunshine in recent years. The Board also believes that the invaluable operational and management experience in magnesium-related business gained by Century Sunshine and its management can facilitate the business development of the Group's magnesium-related business.

We noted from the annual report of Century Sunshine that its magnesium product business has grown continuously since the commencement of such business in July 2011. For the three years ended 31 December 2014, Century Sunshine recorded an average gross profit margin of approximately 40% and 19% for the rare earth magnesium alloys and basic magnesium products, such as general magnesium alloys and magnesium ingot, respectively. Meanwhile, we have reviewed the background information and profile of Mr. Shum Sai Chit, being a director of Century Sunshine and a Director, who has over 7 years of management experience in magnesium and magnesium related products business, and Professor Meng Jian, being a senior consultant of Century Sunshine, who has joined the Board of the Group and has strong technical background and expertise in magnesium alloy smelting and research and development in new materials. With their experience and expertise in the industry, we concur with the Directors' view that the joining of Mr. Shum Sai Chit and Professor Meng Jian in the management team of the Group shall facilitate the management and development of the Group's magnesium related business.

It is expected that capital expenditure for replacement and/or upgrading of production equipment of Xinjiang Tengxiang would incur in the re-engineering process and additional working capital would be required to fund the business development and expansion of Xinjiang Tengxiang in the future.

Given the aforementioned business development plan of the Group in respect of the magnesium and its products related businesses and the committed obligations of the Group under the acquisition agreement to acquire Xinjiang Tengxiang, we concur with the Directors' view that it is in the interest of the Company to raise additional funding to cope with the funding needs for the Group's business development and growth and investment in Xinjiang Tengxiang.

3.3 Market Outlook

According to the information published by China Nonferrous Metals Industry Association, a national and non-profit association with members from enterprises, institutions and social organizations relating to China's nonferrous metals industry and administered under the State-owned Assets Supervision and Administration Commission of the State Council and the PRC Ministry of Civil Affairs, the production volume of magnesium in the PRC was 374,905 tones for the first half of 2015, representing a decrease of approximately 20.2% as compared to the previous year, among which approximately 57% were exported. For the five months ended 31 May 2015, the total sales volume and sales amount of magnesium products exported was approximately 179,700 tones and US\$453 million respectively, representing a decrease of approximately 2.89% and 10.77% respectively as compared to the previous corresponding period. Among various exported magnesium products, magnesium alloy outperformed other magnesium products and recorded sales volume of approximately 46,500 tones and sales amount of approximately US\$123.23 million of export sales for the five months ended 31 May 2015, representing an increase of approximately 2.35% and a decrease of approximately 6.78% respectively as compared to the previous corresponding period.

Based on the information published by General Administration of Customs of the PRC, the total sales volume and sales amount of magnesium products exported for the seven months ended 31 July 2015 were approximately 244,989 tones and RMB3.8 billion respectively, representing a decrease of approximately 4.3% and 11.7% respectively as compared to the previous corresponding period.

We noted that the production volume and selling price of magnesium is generally in a decreasing trend recently. We discussed with the management of the Company and were advised that the magnesium industry is currently in the downturn. However, the Company considers that the downturn in the industry is short-term only and the industry shall recover in the long run. With reference to the speech conducted by the Chairman of Magnesium Branch of China Nonferrous Metals Industry Association in 2014 National Conference of the Magnesium Industry held in October 2014, in the preparation of the "Thirteenth Five-Year Plan of the Magnesium Industry" the industry expected that magnesium output will exceed 800,000 tones by 2015 and increase with an average annual growth rate of over 10% to 1,300,000 tones by 2020. In addition, the Company intends to enhance the technical level of Xinjiang

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Tengxiang to produce magnesium alloys, which are commonly utilized in engineering design due to their light weight. According to Mineral Commodity Summaries 2015 issued by U.S. Geological Survey in January 2015, the use of magnesium in automobile parts is expected to continue to increase as automobile manufactures seek to decrease vehicle weight to comply with fuel efficiency standards. The Company considers that the demand of magnesium alloys is fuelled by the promotion of energy savings and emission reduction measures and the promulgation of policies supporting the development of related industries in view of its eco-friendly nature and the expansion and development of Xinjiang Tengxiang to produce magnesium alloys shall enable it to capture the increasing demand of magnesium alloys.

Given that the above information is published by organizations/associations which are independent of the Company and its connected persons and they all have extensive industry knowledge and are regulated by the relevant government bureaus, we consider that it is appropriate to adopt such information in reviewing the outlook of the magnesium industry in the PRC. Based on the above and the development plan of the Group, we consider that it is commercially justifiable for the Group to acquire and develop the business of Xinjiang Tengxiang although the magnesium industry is currently in the downturn of the cycle.

3.4 Reasons for the Open Offer and Proposed Use of Proceeds

As discussed in section “3.2 Future Development of the Group” contained herein, the Group has been actively pursuing the development of magnesium and its products related business to further enhance the Group’s potential growth in the long run and create better return for the Shareholders. The main objective of the Open Offer is to raise funds to finance the business development plans of the Group while enabling the Shareholders to participate in the Company’s future growth and development and maintain their proportionate interests in the Company should they wish to do so.

Assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the gross proceeds and estimated net proceeds (after deducting the estimated expenses directly attributable to the Open Offer) of the Open Offer will be approximately HK\$287.44 million and HK\$283.99 million respectively. The Company intends to apply (i) approximately HK\$198.79 million, representing approximately 70% of the net proceeds of the Open Offer, as funding for the expansion and

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business development of Xinjiang Tengxiang; (ii) approximately HK\$56.80 million, representing approximately 20% of the net proceeds of the Open Offer, for investment activities of the Group in magnesium and its products related business when such investment opportunities arise; and (iii) approximately HK\$28.40 million, representing approximately 10% of the net proceeds of the Open Offer, for the general working capital to develop the existing design and manufacturing of electronic products and services business of the Group.

We have reviewed and discussed the development plan and budget of Xinjiang Tengxiang with the management of the Company and noted that approximately HK\$83.49 million will be used for repayment of loans and bank borrowings, approximately HK\$55.66 million will be used for re-engineering of the production lines to produce magnesium alloy and improve the production efficiency immediately upon completion of the acquisition of Xinjiang Tengxiang and approximately HK\$59.64 million will be used for general working capital of Xinjiang Tengxiang. We have reviewed the loan agreements and noted that the loans and bank borrowings are repayable within six months from the Latest Practicable Date. We were advised that the budget for re-engineering of the production lines of Xinjiang Tengxiang was determined based on the management's preliminary field assessment on the current status of the plants and equipment. Furthermore, for the budget of HK\$59.64 million for general working capital of Xinjiang Tengxiang, approximately HK\$50.69 million shall be applied for purchasing cost and direct cost of production and approximately HK\$8.95 million shall be applied for administration expenses, selling and distribution expenses and finance cost. We have also discussed the Group's development plan on its existing business with the management of the Company and noted that the Group has planned to allocate more resources to the development of the PRC market and the research and development capabilities of the existing design and manufacturing of electronic products and services business. For the working capital of approximately HK\$28.40 million to be applied to the Group's existing businesses, approximately HK\$7.10 million shall be applied for selling and distribution expenses, approximately HK\$15.05 million for administrative expenses and approximately HK\$6.25 million for research and development expenses. We are satisfied that the development plans and budgets have been made after due and careful consideration by the Directors.

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In the event that the acquisition of Xinjiang Tengxiang does not materialise or is expected to be delayed for a considerable period of time, the Group will apply approximately 30% of such portion of the net proceeds for general working capital of its existing businesses of design and manufacturing of electronic products and services, including approximately HK\$14.91 million will be utilized as selling and distribution expenses, approximately HK\$31.63 million will be utilized as administrative expenses and approximately HK\$13.10 million will be utilized as research and development expenses, while the remaining 70% for further investments in magnesium and its products related business for mainly basic magnesium and magnesium related business, or in other businesses that the Board considers appropriate. We have discussed with the management of the Company and noted that no plans, business arrangements, transactions, agreements, understandings or negotiations that involve possible acquisitions or investment opportunities have been proposed or entered into by the Group, save for the acquisition of Xinjiang Tengxiang, as at the Latest Practicable Date. Given that the Board decided to position the Group to conduct magnesium product business and aims to identify equity interest investment opportunities with controlling rights in companies operating in magnesium and its related products industry that are in line with the development of the Group, we consider that it is commercially justifiable for the Group to utilize such portion of net proceeds from the Open Offer for further investments in magnesium and its products related business if the acquisition of Xinjiang Tengxiang does not materialize or is expected to be delayed for a considerable period of time.

Having considered (i) the development plans of the Group regarding its investment in magnesium and its products related business and the existing business; (ii) the outlook of magnesium and its products related business in the PRC; (iii) the proven financial performance in magnesium-related business and the relevant experience, technology and business network of magnesium products business possessed by Century Sunshine Group, which is the beneficial owner of the controlling Shareholder; and (iv) the fact that the Open Offer will give all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company without diluting their corresponding shareholdings and to participate in the long-term growth of the Company at a price lower than the current market level, we concur with the view of the Directors that it is fair and reasonable and in the interest of the Company to conduct the Open Offer to support the development of the Group and the intended use of proceeds are reasonable and commercially justifiable.

3.5 Alternative Financing Methods

During our discussion with the management of the Company, we understood that apart from the Open Offer, the Company has also considered other alternative means for fund raising. The Board considers that debt financing is not suitable for the Company at this stage as it would result in additional interest burden to, and higher gearing ratio of, the Group. As placing of new Shares would dilute the shareholding of the existing Shareholders in the Company and the funds to be raised by placing of new Shares under a general mandate would be substantially lower than that of a rights issue or open offer, the Board has focused on evaluating the possibilities of carrying out fund raising by way of rights issue or open offer.

As compared to an open offer, a rights issue may involve extra administrative work and costs for the preparation, printing, posting and processing of trading arrangements in relation to the nil-paid rights. In addition, in view of the low daily trading volume of the Shares, which on average represents only approximately 1.09% of the total issued Shares in the past twelve months before the Last Trading Day, there is uncertainty of the existence of a market for trading of the nil-paid rights. The Board therefore intends not to invest the resources for the extra administrative work and cost for the trading arrangements in relation to the nil-paid rights and considers that conducting the Open Offer, instead of a rights issue, will be more beneficial to the Company and the Shareholders in the current circumstances even without offering the right for the Qualifying Shareholders to trade their nil-paid rights as in a rights issue since the Open Offer has already given the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company.

In light of the above, we concur with the view of the Directors that the Open Offer is an appropriate means for the Group to obtain the required funding and is in the interests of the Company and the Shareholders as a whole.

3.6 Principal Terms of the Open Offer

3.6.1 Issue Statistics

Basis of the Open Offer: one Offer Share for every one existing Share held on the Record Date

Subscription Price: HK\$0.20 per Offer Share

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Number of Shares in issue as at the Latest Practicable Date:	1,437,195,029 Shares
Number of Offer Shares:	1,437,195,029 Offer Shares (assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)
Number of Offer Shares to be taken up or procure to be taken up by the Undertaken Shareholders pursuant to the Undertakings:	an aggregate of 826,507,845 Offer Shares, representing the assured allotment to the Undertaken Shareholders or their nominee(s) under the Open Offer
Underwriters:	Ming Xin Developments and Earnmill (both are connected persons of the Company and whose ordinary business does not include underwriting)
Number of Offer Shares underwritten by the Underwriters:	610,687,184 Offer Shares
Enlarged issued share capital of the Company upon completion of the Open Offer:	2,874,390,058 Shares (assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)
Fund raised before expenses:	approximately HK\$287.44 million (assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)

As at the Latest Practicable Date, the Company had no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

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The Open Offer is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms or otherwise. The conditions to the Underwriting Agreement are set out in the Letter from the Board contained in the Circular.

3.6.2 Subscription Price

The Subscription Price of HK\$0.20 per Offer Share, which will be payable in full upon application for the relevant assured allotment of Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer, represents:

- (i) a discount of approximately 41.18% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 44.44% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 28.57% to the theoretical ex-entitlement price of HK\$0.28 per Share based on the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 52.38% to the average closing price of approximately HK\$0.42 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) a premium of approximately 33.33% over the net asset value per Share of approximately HK\$0.15 calculated based on the audited consolidated net assets attributable to equity holders of the Company of approximately HK\$216.3 million as at 31 March 2015 and 1,437,195,029 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to the prevailing market price of the Shares, the market conditions, consecutive loss since 2008, the theoretical ex-entitlement price on the Last Trading Day and the ongoing business development of the Company. Given that

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the financial performance of the Group's existing business was on a sliding trend and the Group has recorded consecutive losses since 2008, the Directors consider that a lower subscription price shall encourage the existing Shareholders to take up their entitlements under the Open Offer. Furthermore, as each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to set the Subscription Price at a level with a discount to the prevailing market price of the Shares so as to encourage the Qualifying Shareholders to participate in the Open Offer.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 21 August 2014, being 12 months immediately preceding the date of the Underwriting Agreement, to the Latest Practicable Date (the "Review Period").

Chart 1 – Closing price of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated in the above chart, the Shares were traded above the Subscription Price throughout the Review Period with an average of approximately HK\$0.47. The highest closing price and the lowest closing price of the Shares in the Review Period were HK\$0.82 and HK\$0.236 respectively. The Subscription Price represents a discount

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of approximately 75.6%, 15.3% and 57.4% to the highest, lowest and average closing price of the Shares of the Review Period respectively.

The closing price of the Shares rose continuously from HK\$0.27 on 21 August 2014 to HK\$0.345 on 5 September 2014, on which the trading in Shares on the Stock Exchange was halted with effect from 1:00 p.m. and an announcement was published by the Company announcing that the then controlling Shareholders were in the process of negotiating with an independent third party regarding the possible sale of their shareholding interests in the Company and such possible sale might lead to a change in control of the Company and a mandatory general offer under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). The closing price of the Shares increased to HK\$0.45 on the subsequent trading day and then fluctuated in the range of HK\$0.42 and HK\$0.55 during the period from 8 September 2014 to 19 December 2014, being the last trading day before the trading halt of the Shares on the Stock Exchange for the period from 22 December 2014 to 5 January 2015.

On 6 January 2015, the Company announced that Earnmill, the then controlling Shareholder, and Ming Xin Developments entered into a sale and purchase agreement, pursuant to which Earnmill agreed to sell, and Ming Xin Developments agreed to acquire, 500,000,000 sale shares, representing approximately 41.75% of the issued share capital of the Company as at the date of the sale and purchase agreement, for a total consideration of HK\$229,600,000 (equivalent to HK\$0.4592 per Share). On the same day, the Company and Ming Xin Developments entered into a subscription agreement, pursuant to which Ming Xin Developments agreed to subscribe, in cash, for 239,532,000 new Shares, representing approximately 20% of the issued share capital of the Company as at the date of the subscription agreement. It was also announced that a possible mandatory cash general offer might be made at HK\$0.4592 per Share for all the issued Shares (other than those already owned or agreed to be acquired by Ming Xin Developments and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code upon completion of the share purchase and subscription by Ming Xin Developments. Subsequent to the publication of the aforementioned announcement, the closing price of the Shares dropped to HK\$0.45 on 6 January 2015. After that, the closing price of the Shares fluctuated in the range of HK\$0.435 and HK\$0.63 during 7 January 2015 and 14 May 2015.

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After the trading hours of 14 May 2015, the Company announced that the Company entered into a framework agreement with independent third parties in relation to the possible acquisition of the entire equity interest in Xinjiang Tengxiang. After the publication of the announcement, the closing price of the Shares increased from HK\$0.61 on 14 May 2015 to HK\$0.82, the highest closing price of the Shares in the Review Period, on 28 May 2015 and 29 May 2015. Since then, the closing price of the Shares decreased gradually to HK\$0.36 on the Last Trading Day. Following the publication of the Company's announcement for the Open Offer on 20 August 2015, the closing price of the Shares further decreased to HK\$0.28 on 22 September 2015 and rebounded to HK\$0.34 on the Latest Practicable Date.

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 1 below.

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Table 1 — Historical average daily trading volume of the Shares

Month	Average daily trading volume	% of average daily trading volume to the total number of Shares (Note 1)	% of average daily trading volume to the total number of Shares in public hands (Note 2)
2014			
August (Note 3)	2,068,571	0.1439%	0.3387%
September	52,680,263	3.6655%	8.6264%
October	10,715,721	0.7456%	1.7547%
November	11,481,000	0.7988%	1.8800%
December (Note 4)	6,590,800	0.4586%	1.0792%
2015			
January (Note 4)	11,867,474	0.8257%	1.9433%
February	11,236,667	0.7818%	1.8400%
March	10,087,335	0.7019%	1.6518%
April	24,448,456	1.7011%	4.0034%
May	20,826,053	1.4491%	3.4103%
June	7,858,268	0.5468%	1.2868%
July	5,128,182	0.3568%	0.8397%
August	5,367,343	0.3735%	0.8789%
September (Note 5)	2,529,161	0.1760%	0.4141%

Source: the website of the Stock Exchange

Notes:

1. Calculated based on 1,437,195,029 Shares in issue as at the Latest Practicable Date.
2. Calculated based on 610,687,184 Shares held in public hands as at the Latest Practicable Date.
3. Represents trading volume for the period from 21 August 2014 to 31 August 2014.

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4. The trading of the Shares was suspended during the period from 22 December 2014 to 5 January 2015.
5. Represents trading volume for the period from 1 September 2015 to the Latest Practicable Date.

As shown in Table 1 above, the average daily trading volume of the Shares during the Review Period was in the range of approximately 0.1439% to 3.6655% as to the total number of issued Shares as at the Latest Practicable Date and approximately 0.3387% to 8.6264% as to the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics revealed that the liquidity of the Shares was relatively low.

To further evaluate the fairness and reasonableness of the Open Offer, we also considered a broad comparison of open offers conducted by other companies listed on the main board and the Growth Enterprise Market of the Stock Exchange. Based on the information available from the Stock Exchange's website, we have reviewed, so far as we are aware of, all the open offers announced by the companies listed on the main board or Growth Enterprise Market of the Stock Exchange, save for the open offers announced by the companies which have been suspended in trading for more than 3 months preceding the dates of the respective announcements in relation to the open offer transactions (the "Comparables") during the period from 21 May 2015, being 3 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "Comparable Period"), which is considered to be exhaustive for comparison purposes. Having considered the recent volatility of the Hong Kong stock market and that the Comparable Period is reasonably long enough to (i) reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) include sufficient number of transactions for comparison purposes; and (iii) allow the Shareholders to have a general understanding of the recent open offer transactions being conducted in the Hong Kong stock market, we considered that the Comparable Period is adequate.

Given that the terms of open offers of the Comparables were determined under similar market conditions and sentiments as those when the terms of the Open Offer were determined and reflect the recent trend of the open offer transactions in the market, we are of the opinion that the Comparables are fair and representative samples for comparison purposes. We noted that the principal businesses of the Comparables are

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not directly comparable to those carried on by the Company. However, we consider that an industry comparison would not be relevant as more emphasis would be put on other factors such as size of funds to be raised, market conditions, share price and financial conditions of the company at the time when the terms of open offers are determined. Details of the trading statistics of the Comparables are summarized in Table 2 below:

Table 2 — Trading statistics of the Comparables

Company name (stock code)	Date of announcement (DD/MM/YYYY)	Basis of entitlement	Discount of subscription price to the closing price on the last trading day %	the theoretical ex- price %	Commission rate %	Excess application Yes/No
National United Resources Holdings Limited (254)	22/05/2015	1 for 2	(53.6)	(43.5)	1.50	No
Wealth Glory Holdings Limited (8269)	22/05/2015	1 for 2	(34.0)	(25.5)	3.00	No
Apac Resources Limited (1104)	27/05/2015	1 for 2	(50.7)	(40.7)	2.00	Yes
New City Development Group Limited (456)	03/06/2015	1 for 4	(24.3)	(20.5)	0.00	No
China National Culture Group Limited (745)	08/06/2015	1 for 1	(76.4)	(61.8)	2.00	No
Tai Shing International (Holdings) Limited (8103)	17/06/2015	1 for 2	(59.7)	(49.7)	3.00	No
Wuling Motors Holdings Limited (305)	18/06/2015	1 for 5	(15.7)	(13.4)	0.00	Yes
IRC Limited (1029)	29/06/2015	4 for 15	(38.2)	(32.8)	5.00	No
Fujian Holdings Limited (181)	29/06/2015	1 for 2	(59.6)	(49.4)	2.50	Yes
Sau San Tong Holdings Limited (8200)	07/07/2015	1 for 1	(12.3)	(6.5)	2.50	No
Tai Shing International (Holdings) Limited (8103)	14/07/2015	1 for 2	(43.6)	(34.0)	3.00	No
Wealth Glory Holdings Limited (8269)	17/07/2015	1 for 2	(31.8)	(23.6)	3.00	No
China Environmental Resources Group Limited (1130)	17/07/2015	1 for 2	(41.4)	(32.1)	2.00	No
Ding He Mining Holdings Limited (705)	21/07/2015	1 for 2	(55.0)	(44.8)	2.50	No
China 33 Media Group Limited (8087)	24/07/2015	7 for 1	(75.6)	(28.6)	1.50	No

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Company name (stock code)	Date of announcement (DD/MM/YYYY)	Basis of entitlement	Discount of subscription price to the closing price on the last trading day %	the theoretical ex- price %	Commission rate %	Excess application Yes/No
Golden Meditech Holdings Limited (801)	27/07/2015	1 for 2	(7.4)	(4.8)	2.00	Yes
International Standard Resources Holdings Limited (91)	30/07/2015	1 for 4	(34.1)	(29.3)	2.50	Yes
U-Home Group Holdings Limited (2327)	04/08/2015	1 for 2	(17.5)	(12.4)	1.65 <i>(Note)</i>	Yes
Neo Telemedia Limited (8167)	11/08/2015	1 for 2	(77.5)	(69.7)	1.50	No
Huili Resources (Group) Limited (1303)	12/08/2015	1 for 2	(57.3)	(47.2)	3.40	Yes
Lerado Group (Holding) Company Limited (1225)	14/08/2015	3 for 1	(68.1)	(34.8)	2.00	No
Seec Media Group Limited (205)	19/08/2015	3 for 1	(63.0)	(30.1)	2.00	No
Legend Strategy International Holdings Group Company Limited (1355)	28/08/2015	1 for 4	(36.5)	(31.6)	1.50	No
Megalogic Technology Holdings Limited (8242)	01/09/2015	3 for 1	(29.8)	(9.5)	3.00	No
Flying Financial Service Holdings Limited (8030)	07/09/2015	1 for 2	(48.1)	(38.2)	2.50	Yes
Kingwell Group Limited (1195)	08/09/2015	1 for 9	(46.7)	(44.1)	3.00	No
China Investment and Finance Group Limited (1226)	09/09/2015	8 for 1	(64.8)	(16.9)	1.50	No
SEEC Media Group Limited (205)	09/09/2015	5 for 1	(68.0)	(25.9)	2.00	No
eForce Holdings Limited (943)	16/09/2015	4 for 1	(61.6)	(24.3)	3.00	Yes
Maximum			(7.4)	(4.8)	5.00	
Minimum			(77.5)	(69.7)	0.00	
Average			(46.6)	(31.9)	2.24	
the Company (601)	20/08/2015	1 for 1	(44.4)	(28.6)	1.00	Yes

Source: the website of the Stock Exchange

Note: Various commission rates were offered by the underwriters of the open offer. The weighted average commission rate of approximately 1.65% was used for comparison purposes.

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We noted from Table 2 that all Comparables had set the subscription price of their open offers at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the open offers were made. We consider, therefore, it is a normal market practice for companies to set the subscription price of open offers at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders to participate in the open offers.

As illustrated in Table 2, the subscription price of the Comparables were set at a discount, ranging from approximately 7.4% to 77.5%, to their respective closing price as quoted on the last trading day prior to the date of the relevant open offer announcement. The discount of approximately 44.4% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is lower than the average discount of the Comparables of approximately 46.6%.

The subscription price of the Comparables represents a discount ranging from approximately 4.8% to 69.7% to their respective theoretical ex-entitlement price as quoted on the last trading day prior to the date of the relevant open offer announcement. The discount of approximately 28.6% of the Subscription Price to the theoretical ex-entitlement price of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is lower than the average discount of the Comparables of approximately 31.9%.

Based on the above analysis and the facts that (i) the Shares were traded above the Subscription Price throughout the Review Period and the discount on the Subscription Price to the market price of the Shares may enhance the attractiveness of the Open Offer and encourage the Qualifying Shareholders to take up their entitlements under the Open Offer; (ii) the liquidity in trading of the Shares was thin during the Review Period; (iii) the Group recorded consolidated loss for the year ended 31 March 2015; (iv) it is common for the listed companies in Hong Kong to set the subscription price of open offers at a discount to the market price in order to enhance the attractiveness of the open offer transactions; (v) the discounts of the Subscription Price to the closing price on the Last Trading Day and to the theoretical ex-entitlement price fall within the range of the Comparables and are lower than the average discount of the Comparables; and (vi) the interest of the Qualifying

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Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Open Offer and subscribe for the Offer Shares, we consider that the discount on the Subscription Price may encourage the Qualifying Shareholders to participate in the Open Offer and is justifiable and the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

3.6.3 Application for Excess Offer Shares

As stated in the “Letter from the Board”, the Qualifying Shareholders may, by way of excess application, apply for the Offer Shares to which the Excluded Shareholders would otherwise have been entitled to and for any assured allotment of Offer Shares not accepted by the Qualifying Shareholders and for the Offer Shares created by aggregation of fractional Offer Shares (if any), by completing the Excess Application Form(s) for application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being applied for by the Latest Time for Acceptance. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis according to the principle that any excess Offer Shares will be allocated to the Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of excess Offer Shares applied for by the Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

Excess application arrangement will not be made available to the Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam. Any Offer Share not applied for by the Qualifying Shareholders and not taken up by excess application will be taken up by the Underwriters.

As set out in Table 2, 9 out of 29 Comparables have the arrangement for excess application. Among the 9 Comparables with arrangement for excess application, 7 of which have the same allocation principle as the Company. Although the majority of the Comparables had no arrangements of application for excess offer shares, we consider that the arrangement of application for excess Offer Shares for the Qualifying Shareholders (except the Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam) is fair and reasonable and in the interest of the Independent Shareholders as such arrangement shall give the Independent Shareholders a pre-emption right to subscribe for excess Offer Shares if they wish to do

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so while the Underwriters are given the chance to take up any Offer Share not applied for by the Qualifying Shareholders and not taken up by excess applications. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other open offers with arrangement of application for excess offer shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for excess Offer Shares, will be largely maintained after the completion of the Open Offer, we concur with the Directors that the arrangement for allocation of the excess Offer Shares is fair and equitable so far as the Independent Shareholders are concerned.

3.7 Undertakings Given by the Undertaken Shareholders

The Undertaken Shareholders, who were interested in an aggregate of 826,507,845 Shares, representing approximately 57.51% of the total issued share capital of the Company as at the Latest Practicable Date, have irrevocably undertaken to the Company that (i) they would not dispose of an aggregate of 826,507,845 Shares beneficially owned by them from the date of the Undertakings up to and including the Record Date; (ii) they would procure the acceptance of the Offer Shares which will represent the assured allotment to them or their nominee(s) as holder(s) of such Shares under the Open Offer; and (iii) they had agreed that the excess application arrangement under the Open Offer will not be made available to them or their nominee(s).

Based on the Subscription Price of HK0.20 per Offer Share, the consideration payable by Undertaken Shareholders under the Open Offer pursuant to the Undertakings will amount to approximately HK\$165.30 million.

As at the Latest Practicable Date, (i) Ming Xin Developments held 745,598,727 Shares, representing approximately 51.88% of the entire issued share capital of the Company; (ii) Earnmill held 37,877,118 Shares, representing approximately 2.64% of the entire issued share capital of the Company; (iii) Mr. Tam and Dr. Tam jointly held 40,732,000 Shares, representing approximately 2.83% of the entire issued share capital of the Company; and (iv) Mrs. Tam held 2,300,000 Shares, representing approximately 0.16% of the entire issued share capital of the Company.

3.8 Underwriting Arrangement

Pursuant to the Underwriting Agreement, taking into account the Undertakings, the Open Offer is fully underwritten. The total number of Underwritten Shares (excluding the 826,507,845 Offer Shares to be taken up by the Undertaken Shareholders or their nominee(s) pursuant to the Undertakings), being 610,687,184 Offer Shares, will be underwritten severally by the Underwriters on equal basis of 305,343,592 Offer Shares each. The Untaken Shares shall be allocated to each of the Underwriters on equal basis, provided that if the total number of the Untaken Shares is not an even number, Ming Xin Developments shall first be allocated one Untaken Share and the remaining Untaken Shares shall be allocated to each of the Underwriters on equal basis.

The Underwriters will receive a commission in respect of their underwriting of the Open Offer at 1.0% of the aggregate Subscription Price in respect of the Underwritten Shares. We understand from the management of the Company that the commission rate was determined after arm's length negotiation between the Company and the Underwriters by reference to the market rate, the size of the Open Offer and the current and expected market condition.

As illustrated in Table 2, the underwriting commission of 1.0% to be charged by the Underwriters under the Underwriting Agreement falls within the range of the Comparables of nil to 5.0% and is lower than the average commission rate of the Comparables of approximately 2.24%. Accordingly, we are of the view that the underwriting commission is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We were given to understand that the Underwriters have irrevocably, unconditionally, jointly and severally undertaken to the Company that they will take all appropriate steps as may be necessary or required to maintain the minimum public float of the Shares to not less than 25% of the number of Shares in issue upon completion of the Open Offer. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Open Offer. We have discussed with the management of the Company and were advised that the Underwriters have entered into a sub-underwriting agreement with Octal Capital, an independent third party, on 15 September 2015. We have reviewed the sub-underwriting agreement and noted that Octal Capital has agreed to subscribe or procure subscriber(s) who is/are independent third party(ies) to subscribe for a maximum aggregate of 107,910,330 Offer Shares, representing approximately

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3.75% of the enlarged issued share capital of the Company. The management of the Company advised us that after the Latest Time for Acceptance, having taken into account of the minimum public float requirement, the Underwriters will notify Octal Capital such number of Offer Shares to be sub-underwritten and Octal Capital will subscribe or procure independent third party(ies) to subscribe for such number of Offer Shares before the allotment and issue of the Offer Shares by the Company. With the sub-underwriting agreement and the above-mentioned mechanism, we believe that the Company shall be able to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules upon completion of the Open Offer.

It should also be noted that the Open Offer will not proceed if Ming Xin Developments, at its sole discretion after reasonable consultation with the Company, exercises its termination rights under the Underwriting Agreement. Details of the provisions granting Ming Xin Developments such termination rights are included in the Letter from the Board. We have reviewed the announcements of the Comparables and consider such provisions are on normal commercial terms and in line with the market practice.

Having considered that (i) the arrangement of application for excess Offer Shares for the Qualifying Shareholders (except the Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam) shall give the Independent Shareholders a pre-emption right to subscribe for excess Offer Shares if they wish to do so and the Underwriters can only take up any Offer Share not applied for by the Qualifying Shareholders and not taken up by excess applications; (ii) the underwriting arrangement can ensure the Company get the targeted funding from the Open Offer; (iii) the underwriting commission is fair and reasonable and in line with the market practice; and (iv) the termination rights of Ming Xin Developments under the Underwriting Agreement are on normal commercial terms and in line with the market practice, we consider that the underwriting arrangement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3.9 Dilution Effect of the Open Offer on Shareholding Interests

All Qualifying Shareholders are entitled to subscribe for the Offer Shares. For those Qualifying Shareholders who take up their full entitlements under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer. Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Excluded Shareholders

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should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Offer Shares is approximately 22.22% as a result of the Open Offer.

As at the Latest Practicable Date, the existing public Shareholders held 42.49% of the total issued share capital of the Company. Upon completion of the Open Offer (assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders other than the Undertaken Shareholders and taking no account of the sub-underwriting arrangement of the Underwriters), the shareholding of the existing public Shareholders will be diluted to 21.25%.

In all cases of open offers, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the open offers is inevitable. In fact, the dilution magnitude of any open offer depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full entitlements under the Open Offer; (ii) shareholding dilution is inherent in open offers in general; and (iii) the positive impact on the financial position of the Group as a result of the Open Offer as detailed in section "3.10 Financial Effects" below, we are of the view that the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Open Offer is justifiable.

3.10 Financial Effects

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Open Offer.

3.10.1 Net Tangible Asset

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, had the Open Offer been completed on 31 March 2015, the consolidated net tangible assets of

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the Group attributable to the Shareholders would have increased from approximately HK\$215.2 million to approximately HK\$499.2 million. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders per Share as at 31 March 2015 prior to the completion of the Open Offer was approximately HK\$0.15, calculated based on the audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 March 2015 of approximately HK\$215.2 million and 1,437,195,029 Shares in issue as at the Latest Practicable Date. Assuming that there are no changes in the total number of Shares in issue before the Record Date, the consolidated net tangible assets of the Group attributable to the Shareholders per Share upon completion of the Open Offer shall be approximately HK\$0.17, calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders of approximately HK\$499.2 million and 2,874,390,058 Shares in issue upon completion of the Open Offer. Therefore, the Open Offer shall result in an improvement in consolidated net tangible assets of the Group attributable to the Shareholders per Share.

3.10.2 Cash and Bank Balances

Upon completion of the Open Offer, the cash and bank balances of the Group will increase by an amount equivalent to the net proceeds of the Open Offer, which is estimated to be approximately HK\$283.99 million.

3.10.3 Gearing

The Open Offer shall increase the total assets of the Group without bringing any change to the total liabilities. As such, the gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, would decrease after the Open Offer.

Based on the above analysis, we are of the view that the Open Offer would have a positive effect on the Group's net tangible assets, cash position and gearing.

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4. RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Open Offer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Open Offer at the SGM.

Yours faithfully,

For and on behalf of

Hercules Capital Limited

Louis Koo

Amilia Tsang

Managing Director

Director

Notes:

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.
2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

1. FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the financial years ended 31 March 2013 (pages 44 to 144), 31 March 2014 (pages 45 to 144), and 31 March 2015 (pages 35 to 136), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.gsl.com.hk/ and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2015, being the latest practicable date prior to the printing of this circular for the purpose of this statement of indebtedness, the total indebtedness of the Group amounted to approximately HK\$135 million, and comprised of secured interest-bearing bank borrowings of approximately HK\$25 million and an unsecured loan from a shareholder of the Group of approximately HK\$110 million.

The Group's bank facilities are secured by (i) a mortgage over the Group's building, which had an aggregate carrying value at 31 July 2015 of approximately HK\$7 million, (ii) pledges of certain of the Group's short term time deposits of approximately HK\$0.5 million, and (iii) corporate guarantee from the Company for a total loan balance of approximately HK\$5 million.

At the close of business on 31 July 2015, the Group's contingent liabilities are set out below:

During the year ended 31 March 2008, an independent service provider (the "**Plaintiff**") issued a legal proceeding in Hong Kong against a subsidiary of the Group (the "**Defendant**") and a claim against the Defendant for a sum of US\$627,571 (approximately HK\$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the "**Agreement**") and failed to make payments in accordance with the Agreement (the "**Claim**"). In this connection, the Defendant alleged that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement and made a counterclaim against the Plaintiff for liquidated damages in the sum of US\$100,000 and other damages to be assessed together with interest and costs (the "**Counterclaim**").

Based on the available evidence and subject to discovery and expert evidence, the Defendant's representing solicitor considered that there were valid defenses to the Claim and the Defendant had a good chance of success on the Claim and the Counterclaim. Up to 31 July 2015, there was no further progress of the Claim and Counterclaim noted. Having considered the legal opinion and no further progress of the Claim and Counterclaim during the period, the Directors are of the opinion that no provision is required to be made.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 July 2015, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, or guarantees, or other material contingent liabilities outstanding at the close of business on 31 July 2015.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the banking facilities presently available and in the absence of unforeseen circumstances, the Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The existing principal business activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services. There is a sliding trend in the financial performance of the Group since 2008. The persistent decline in its revenue and consecutive losses were due to the persistent sluggishness in economy of Japan and Europe and the recent unfavorable currency depreciation in Japan which affected the demand of the Group's electronic manufacturing services and electronic products. According to the Company's annual report for the year ended 31 March 2015, Japan and Europe segments represented 55.08% and 7.13% of the Group's total revenue, respectively.

Reference is made to the composite document of the Company, Century Sunshine and Ming Xin Developments dated 5 March 2015 and the joint announcement by the Company and Ming Xin Developments dated 26 March 2015 in relation to the unconditional mandatory cash general offer. The Company is currently an indirectly owned subsidiary of Century Sunshine which holds 51.88% shareholding interest in the Company. The principal activity of Century Sunshine is investment holdings and its subsidiaries are principally engaged in magnesium business, fertiliser business and metallurgical flux business.

Due to the change in control of the Company, the new board of Directors was formed on 26 March 2015. The Directors are in the process of reviewing the Group's existing business activities and assets for the advance planning of future business developments and strategies. For the existing business, the Group has been depending on the existing management team to strengthen and improve its electronic products business. Further, the Group will put more resources on developing electronic products for the PRC market, continue to strengthen its research and development capabilities and improve its cost management. Meanwhile, the Group is in search of other business opportunities in order to explore new business and speed up the Group's development. In light of the broad market prospect for magnesium products, the Group targets to proactively pursue magnesium and its ancillary investment or business opportunities, and explore the future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the experience, technology and business network of Century Sunshine. Reference is made to the announcement dated 12 August 2015 where it is announced that, the Company entered into the Share Transfer Agreement in order to facilitate the business development of the Group and diversify the business and sources of income of the Group to magnesium product and its ancillary business.

The Group will continue to put effort to improve and enhance its existing businesses. At the same time, the Group will actively explore and identify investment opportunities in relation to the magnesium product and its ancillary business, and exercise the predominance of the Group in fullest to diversify the business portfolio so as to enhance the long-term growth potential of the Group and maximize the Shareholders' benefits.

EVENT AFTER 31 MARCH 2015 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED FINANCIAL STATEMENTS OF THE GROUP WERE MADE UP

As disclosed in the joint announcement issued by the Company and Century Sunshine dated 12 August 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors has conditionally agreed to sell the sale interest, representing the entire equity interest of the Target Company, at a total consideration of RMB72.28 million (equivalent to approximately HK\$88.59 million) in cash from internal resources of the Company. Pursuant to the Share Transfer Agreement, the Purchaser also agreed to make the following advances to the Target Company before completion: (i) within five business days after the date of the Share Transfer Agreement, RMB7.23 million (equivalent to HK\$8.86 million) will be deposited into the account of the Target Company; and (ii) RMB20.00 million (equivalent to HK\$24.51 million) for the repayment of a pledged bank loan of the Target Company. The Target Company shall refund the said advances to the Purchaser if the Share Transfer Agreement is terminated by any of the parties. The Purchaser agreed to pay the Vendors any recovered amount from the written-off bad debts of RMB12.96 million (equivalent to HK\$15.88 million) as at 30 April 2015. The Target Company is established on 23 April 2008 with existing registered capital of RMB171.80 million. It is principally engaged in the production and sale of magnesium ingots and semi coke. The Target Company's production premises, including administration, research and development, and housing facilities, located at the Xinjiang Uygur Autonomous Region, the PRC with total area of approximately 679,121m². The remuneration payable to and benefits in kind receivable by the directors of the Target Company will not be varied in consequences of the acquisition of the Target Company by the Purchaser.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after the completion of the Open Offer.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group

The Unaudited Pro Forma Financial Information of the Group (the “**Unaudited Pro Forma Financial Information**”) attributable to the Shareholders of the Company is prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the proposed Open Offer of 1,437,195,029 of HK\$0.10 each at HK\$0.20 per Offer Share on the basis of one Offer Share for every one Share of the Company and on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 31 March 2015.

The Unaudited Pro Forma Financial Information of the Group is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Open Offer as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the consolidated net tangible assets attributable to the Shareholders of the Company as at 31 March 2015 and adjusted to reflect the effect of the Open Offer:

Audited consolidated net tangible assets of the Group attributable to the Shareholders of the Company as at 31 March 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Open Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders of the Company	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders of the Company per Share as at 31 March 2015 prior to the completion of the Open Offer	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders of the Company per Share upon completion of the Open Offer
215,176	283,990	499,166	HK\$0.15 per share	HK\$0.17 per share

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the Shareholders of the Company as at 31 March 2015 is calculated as follows:

	<i>HK\$'000</i>
Audited consolidated net assets of the Group attributable to the Shareholders of the Company as extracted from the published audited consolidated financial statements of the Company for the year ended 31 March 2015	216,311
<i>Less:</i> intangible assets	<u>(1,135)</u>
Audited consolidated net tangible assets of the Group attributable to the Shareholders of the Company	<u><u>215,176</u></u>

- (2) The estimated net proceeds from the Open Offer are based on 1,437,195,029 Offer Share of HK\$0.10 each at HK\$0.20 per Offer Share on the basis of one Offer Share for every one Share of the Company held as at the Record Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$3,449,000 to be incurred by the Company.
- (3) The number of Shares used for the calculation of this amount is 1,437,195,029 representing Shares in issue as at the Latest Practicable Date.
- (4) The number of Shares used for the calculation of this amount is 2,874,390,058, representing 1,437,195,029 issued Shares plus 1,437,195,029 Offer Shares upon completion of the Open Offer.
- (5) No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 31 March 2015.

The following is the text of the report dated 25 September 2015, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, in respect of the Unaudited Pro Forma Financial Information of the Group.



II. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Group Sense (International) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Group Sense (International) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets as at 31 March 2015, and related notes as set out on page II-1 to II-2 of the circular issued by the Company dated 25 September 2015 (the "Circular") (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section I of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the open offer of 1,437,195,029 new shares of the Company (the "Offer Shares") at a subscription price of HK\$0.20 per Offer Share on the basis of one Offer Share for every one share in issue on the record date (the "Open Offer") as if the transaction had taken place at 31 March 2015. As part of this process, information about the Group's audited consolidated financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2015.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Open Offer on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

22nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central
Hong Kong

25 September 2015

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

Authorised share capital: *HK\$*

<u>3,000,000,000</u> Shares	<u>300,000,000</u>
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Assuming there is no change to the issued share capital of the Company on or before the Record Date:

Issued and fully paid share capital or credited as fully paid:

1,437,195,029	Shares in issue as at the Latest Practicable Date	143,719,503
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<u>1,437,195,029</u>	Offer Shares to be issued	<u>143,719,503</u>
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2,874,390,058	Shares in issue and fully paid immediately upon completion of the Open Offer	287,439,006
<u><u>2,874,390,058</u></u>		<u><u>287,439,006</u></u>

As at the Latest Practicable Date, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital.

The issued Shares are listed and traded on the Main Board of the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

i. Directors

(a) Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares of the Company

Director	Number of ordinary Shares interested or deemed to be interested (long position)				Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Dr. Tam	63,464,000 <i>(Note 1)</i>	4,600,000 <i>(Note 2)</i>	381,097,828 <i>(Note 3)</i>	449,161,828	31.25%

Director	Number of ordinary Shares interested or deemed to be interested (short position)				Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Dr. Tam	—	—	53,955,165 <i>(Note 4)</i>	53,955,165	3.75%

Notes:

- (1) Such Shares include the 25,732,000 Shares which are jointly owned by Dr. Tam and Mr. Tam. Dr. Tam directly owns 6,000,000 Shares and Mr. Tam directly owns 9,000,000 Shares. The aggregate amount of 34,032,000 Shares represent the number of Offer Shares to be accepted by Dr. Tam and Mrs. Tam pursuant to the Undertakings.
- (2) Mrs. Tam is the spouse of Dr. Tam and therefore Dr. Tam is deemed to be interested in the Shares owned by Mrs. Tam pursuant to Part XV of the SFO.
- (3) Of these shares, 37,877,118 Shares are beneficially owned by Earnmill, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares; 37,877,118 Shares represent the number of the Offer Shares to be accepted by Earnmill pursuant to the Undertakings; and 305,343,292 Shares represent the maximum amount of the Offer Shares underwritten by Earnmill pursuant to the Underwriting Agreement.
- (4) The short position in 53,955,165 Shares represents the Offer Shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Earnmill and Octal Capital.

Interests in the shares of associated corporations

Director	Name of associated corporation	Number of ordinary shares interested or deemed to be interested (long position)			Total	Approximate percentage of interests in the issued share capital of the associated corporation as at the Latest Practicable Date
		Personal interests	Family interests	Corporate interests		
Mr. Shum Sai Chit	Century	26,166,766			26,166,766	0.57%
	Sunshine	(note 1)	—	—		
Ms. Chi Bi Fen	Century	31,519,934			31,519,934	0.69%
	Sunshine	(note 2)	—	—		
Mr. Kwong Ping Man	Century	6,389,145			6,389,145	0.14%
	Sunshine	(note 3)	—	—		
Mr. Cheung Sound Poon	Century	1,000,000			1,000,000	0.03%
	Sunshine	(note 4)	—	—		

Notes:

- (1) 14,666,305 shares in Century Sunshine are directly owned by Mr. Shum Sai Chit and 11,500,461 shares in Century Sunshine are the number of underlying shares which may be issued to Mr. Shum under the options held.
- (2) 12,352,499 shares in Century Sunshine are directly owned by Ms. Chi Bi Fen and 19,167,435 shares in Century Sunshine are the number of underlying shares which may be issued to Ms. Chi under the options held.
- (3) These shares in Century Sunshine are the number of underlying shares which may be issued to Mr. Kwong Ping Man under the options held.
- (4) Such shares include the 400,000 shares in Century Sunshine which are directly owned by Mr. Cheung Sound Poon and 600,000 shares in Century Sunshine which are jointly owned by Mr. Cheung and his spouse.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(b) *Directors' service contracts*

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

(c) *Directors' interests in assets*

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

(d) *Directors' interests in contracts or arrangements*

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

(e) *Directors' interests in competing businesses*

As at the Latest Practicable Date, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.

(f) Directorship or employment with substantial Shareholders

Save for (i) Mr. Shum Sai Chit being an executive director of Century Sunshine and the sole director of Ming Xin Developments, (ii) Dr. Tam being a director of Earnmill; (iii) Ms. Chi Bi Fen being an executive director of Century Sunshine, and (iv) Mr. Kwong Ping Man being an independent non-executive director of Century Sunshine, none of the Directors is a director or employee of a company which had any 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 as at the Latest Practicable Date.

ii. Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, 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 were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of Shareholder	Nature of interest/capacity	Number of Shares (long position)	Number of Shares (short position)	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Ming Xin Developments	Beneficial owner	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
New Bright Group Limited	Interest of controlled corporation (Note 1)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
Century Sunshine	Interest of controlled corporation (Note 2)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
Chi Wen Fu	Interest of controlled corporation (Note 3)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
Earnmill	Beneficial owner	381,097,828 (Note 4)	53,955,165 (Note 7)	26.52% (long position) 3.75% (short position)

Notes:

- (1) Ming Xin Developments is a wholly-owned subsidiary of New Bright Group Limited. As such, New Bright Group Limited is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (2) New Bright Group Limited is a wholly-owned subsidiary of Century Sunshine. As such, Century Sunshine is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (3) Mr. Chi Wen Fu controls more than one-third or more of the voting power at general meetings of Century Sunshine (the ultimate holding company of Ming Xin Developments). As such, Mr. Chi Wen Fu is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (4) Of these shares, 37,877,118 Shares are beneficially owned by Earnmill, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares; 37,877,118 Shares represent the number of the Offer Shares to be accepted by Earnmill pursuant to the Undertakings; and 305,343,292 Shares represent the maximum amount of the Offer Shares underwritten by Earnmill pursuant to the Underwriting Agreement.
- (5) Of these shares, 745,598,727 Shares are beneficially owned by Ming Xin Developments; 745,598,727 Shares represent the number of the Offer Shares to be accepted by Ming Xin Developments pursuant to the Undertakings; and 305,343,292 Shares represent the maximum amount of the Offer Shares underwritten by Ming Xin Developments pursuant to the Underwriting Agreement.
- (6) The short position in 53,955,165 Shares represents the Offer Shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Ming Xin Developments and Octal Capital.
- (7) The short position in 53,955,165 Shares represents the Offer Shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Earnmill and Octal Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. CORPORATE INFORMATION

Board of Directors*Executive Directors*Mr. Shum Sai Chit (*Chairman*)

Ms. Chi Bi Fen

Non-Executive Directors

Professor Meng Jian

Dr. Tam Wai Ho, Samson *JP**Independent Non-Executive Directors*

Mr. Kwong Ping Man

Mr. Cheung Sound Poon

Mr. Chen Gang

*Audit Committee*Mr. Kwong Ping Man (*Chairman*)

Mr. Cheung Sound Poon

Mr. Chen Gang

*Remuneration Committee*Mr. Kwong Ping Man (*Chairman*)

Ms. Chi Bi Fen

Mr. Cheung Sound Poon

*Nomination Committee*Mr. Shum Sai Chit (*Chairman*)

Mr. Kwong Ping Man

Mr. Chen Gang

Registered office

Clarendon House

Church Street

Hamilton HM11

Bermuda

**Head office and Principal place of
business in Hong Kong**

Room 2606A, 26th Floor

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

Company Secretary	Mr. Fan Kwok Man
Authorised representatives	Mr. Shum Sai Chit and Ms. Chi Bi Fen
Hong Kong branch share registrar	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Auditors	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Principal Bankers	DBS Bank (Hong Kong) Limited 11th Floor, The Center 99 Queen's Road Central Hong Kong The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Stock code	601
Website	www.gsl.com.hk/

5. PARTIES INVOLVED IN THE OPEN OFFER

The Company	Group Sense (International) Limited Unit 2606A, Harbour Centre 25 Harbour Road Wanchai, Hong Kong
Underwriters	Earmill Holdings Limited P.O. Box 71 Craigmuir Chambers Road Town, Tortola British Virgin Islands Ming Xin Developments Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands
Financial adviser of the Company	Octal Capital Limited 801-805, 8th Floor, Nan Fung Tower 88 Connaught Road Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	Sit, Fung, Kwong & Shum 9/F, York House, The Landmark 15 Queen's Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Hercules Capital Limited 1503 Ruttonjee House 11 Duddell Street Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

6. LITIGATION

In December 2007, an independent service provider (the “Plaintiff”) initiated legal proceeding in Hong Kong against a subsidiary of the Group (the “Defendant”) for a sum of US\$627,571 (approximately HK\$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the “Agreement”) and failed to make payments in accordance with the Agreement. The Defendant made a counterclaim against the Plaintiff for liquidated damages in the sum of US\$100,000 and other damages to be assessed on the ground that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement. The case has remained dormant since May 2008.

The aforesaid litigation has no material impact on the Group’s operation and financial position.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the subscription agreement dated 19 December 2014 entered into between the Company and Ming Xin Developments in relation to the subscription by Ming Xin Developments of 239,532,000 new Shares of the Company at the subscription price of HK\$0.32 per Share;
- (b) the conditional Share Transfer Agreement dated 12 August 2015 entered into between 甘肅騰達西鐵資源控股集團有限公司 (transliterated as “Gansu Tengda West Iron Resources Holding Group Co., Ltd.”), 杭州鍋爐集團股份有限公司 (transliterated as “Hangzhou Boiler Group Co., Ltd.”) and Wang Jian Min (王建民), as vendors (which are independent third parties of the Group), and Hong Kong New Materials Industry Company Limited (an

indirectly wholly-owned subsidiary of the Company), as purchaser, in relation to acquire the entire equity interest of 新疆騰翔鎂製品有限公司 (transliterated as “Xinjiang Tengxiang Magnesium Products Company Limited”) at a total consideration of RMB72.28 million (equivalent to approximately HK\$88.59 million); and

(c) the Underwriting Agreement.

8. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. SHUM Sai Chit, age 57, Chairman of the Group. Prior to joining the Century Sunshine Group, Mr. Shum was the managing director of Go Modern Limited which was principally engaged in manufacturing of textile products and trading activities. In 1984, Mr. Shum joined Fujian Textiles Import and Export Corporation as a manager to oversee importing and exporting of textile products. Mr. Shum is a graduate of Consumer Product Pricing and Statistics. Mr. Shum is currently an executive director of Century Sunshine.

Ms. CHI Bi Fen, age 56, chief executive officer of the Group. Prior to joining the Century Sunshine Group, Ms. Chi was the deputy general manager of an electronics equipment company over 17 years. She has an extensive experience in accounting, taxation and finance in the PRC for more than 15 years. She is a graduate of Accounting and Finance. Ms. Chi is currently an executive director of Century Sunshine.

Non-Executive Directors

Professor MENG Jian, age 58, is a professor and deputy officer of State Key Laboratory for Rare Earth Resource Utilisation, Changchun Institute of Applied Chemistry of Chinese Academy of Science. He is a deputy officer of Professional Committee of Solid Science and New Materials of Chinese Society of Rare Earth. He is also a director of Chinese Society of Rare Earth and Nonferrous Metals Society of China. He is an expert of the Association of China Rare Earth Industry and China Magnesium Association. Professor Meng has been engaging in research and development of rare earth magnesium alloys and new materials. He has contributed to the development and application of rare earth magnesium alloys in China. Professor Meng majored in semiconducting from Jilin University, and holds a master’s degree from the chemistry department of Chinese Academy of Science. He holds a degree of doctor of Engineering from Toyohashi University of Technology, Japan. Professor Meng is currently a senior consultant of Century Sunshine for rare earth magnesium alloys projects.

Dr. TAM Wai Ho, Samson JP, aged 51, graduated from The Chinese University of Hong Kong in 1986 with a Bachelor degree of Science (Hons), and later was awarded the degree of Doctor of Philosophy from The Hong Kong Polytechnic University. In 1992, Dr Tam was awarded the “Young Industrialist Award of Hong Kong” and was named one of the “Ten Outstanding Young Persons” in 1997. He was an elected member of Legislative Council of Hong Kong (Information Technology, 2008-2012) and is now chairman of the Hong Kong Business Angel Network, chairman of the Hong Kong Industry-University-Research Collaboration Association, a member of the China Association for Science and Technology (CAST), chairman of the Technology Development Committee of Federation of Hong Kong Industries (FHKI) and council member of The Open University of Hong Kong.

Independent Non-Executive Directors

Mr. KWONG Ping Man, age 50, is a director of O’Park Corporate Services Limited which provides corporate advisory services. Mr. Kwong had served as the chief financial officer of various companies for almost seven years. Mr. Kwong has over 15 years of experience in accounting, finance and administration. He obtained a master’s degree in Professional Accounting from the Hong Kong Polytechnic University. He is a member of the Australian Society of Certified Practising Accountants, fellow member of the Hong Kong Institute of Certified Public Accountants, and associate member of the Hong Kong Institute of Company Secretaries. Mr. Kwong is currently an independent non-executive director of Century Sunshine, Tang Palace (China) Holdings Limited (Stock Code: 1181), Elegance Optical International Holdings Ltd. (Stock Code: 907) and Yat Sing Holdings Ltd. (Stock Code: 3708)

Mr. CHEUNG Sound Poon, age 54, is currently a senior audit manager at Chui & Kwok (CPA). He was an audit senior at Gary W. K. Yam & Co. (CPA). Mr. Cheung has over 35 years of experience in accounting and auditing. He was an independent non-executive director and the chairman of audit committee of Century Sunshine between February 2004 and May 2007.

Mr. CHEN Gang, aged 40, is the chief executive officer of Weloan Inc in China. He has over 15 years of experience in venture capital, private equity investment and fund management. He was an investment director of China Everbright Assets Management Limited, a senior manager of Ajia Partners SSG (Hong Kong) Limited and a senior investment officer of Kheng Leong Company (Private) Limited. Mr. Chen took the role of financial advisor in initial public offering (IPO) of many Chinese enterprises. He is experienced in corporate restructuring, private equity, IPO and post-IPO capital appreciation. He obtained a bachelor degree of engineering from South China University of Technology, a master’s degree of management from Sichuan University and a master’s degree of Engineering from National University of Singapore.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Fan Kwok Man. Mr. Fan is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM11, Bermuda and the Company's principal place of business in Hong Kong is located at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

10. EXPERT AND CONSENT

- (a) The following sets out the qualifications of the experts who have given their opinions or advice as contained in this circular:

Name	Qualifications
Hercules Capital	a licensed corporation to carry on business in type 6 regulated activities under the SFO
Ernst & Young	Certified Public Accountants

- (a) Each of Hercules Capital and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statement or advice and references to its name in the form and context in which they are included.
- (b) As at the Latest Practicable Date, each of Hercules Capital and Ernst & Young did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) As at the Latest Practicable Date, each of Hercules Capital and Ernst & Young did not have any interest, direct or indirect, in any asset which have been since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

11. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges, registration and other related expenses, are estimated to amount to approximately HK\$3.45 million and are payable by the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to the paragraph headed “Material Contracts” to this appendix;
- (c) the annual reports of the Company for the three financial years ended 31 March 2015;
- (d) the letter from the Board, the text of which is set out on pages 12 to 44 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 45 to 46 of this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 47 to 77 of this circular;

- (g) the report on the unaudited pro forma statement of the Group, the text of which is set out in Appendix II to this circular.
- (h) the letters of written consents referred to in the paragraph headed “Expert and Consent” in this appendix;
- (i) the circular of the Company dated 25 September 2015 in relation to the Acquisition; and
- (j) this circular.

NOTICE OF SGM



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Group Sense (International) Limited (the “**Company**”) will be held at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Wednesday, 14 October 2015 to consider and, if thought fit, passing, with or without modifications, the following resolution (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 September 2015):

AS ORDINARY RESOLUTION

“**THAT** subject to and conditional upon fulfillment of all the conditions precedent set out in the underwriting agreement dated 20 August 2015 (the “**Underwriting Agreement**”, a copy of which marked “**UA**” has been produced to the SGM and signed by the chairman of the SGM for identification purpose) entered into between the Company, Earnmill Holdings Limited and Ming Xin Developments Limited as the underwriters (the “**Underwriters**”):

- (a) the allotment and issue of 1,437,195,029 new shares (the “**Offer Shares**”) of HK\$0.10 each in the share capital of the Company (the “**Shares**”) pursuant to an offer by way of open offer (the “**Open Offer**”) to the holders of the Shares (the “**Shareholders**”) at a subscription price of HK\$0.20 per Offer Share in the proportion of one (1) Offer Share for every one existing Share held by the Shareholders whose names appear on the register of members of the Company on 23 October 2015 (or such other date as the Company and the Underwriters may agree to be the record date for the Open Offer) (the “**Record Date**”) other than those Shareholders with addresses on the Record Date outside Hong Kong whom the directors of the Company (the “**Directors**”), after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant

* *For identification purpose only*

NOTICE OF SGM

regulatory body or stock exchange in that place (the “**Excluded Shareholders**”) as described in further details in a circular issued by the Company dated 25 September 2015 (the “**Circular**”) of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the Directors, be and is hereby approved;

- (b) any one or more of the Directors be and is/are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, any one or more of the Directors be and is/are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or the Excluded Shareholders as he/she/they deem(s) necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company, and to do all such acts and things as he/she/they consider(s) necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (c) any one or more of the Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he/she/they consider(s) necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer and the transactions contemplated in this resolution.”

By the order of the Board
Group Sense (International) Limited
Shum Sai Chit
Chairman

Hong Kong, 25 September 2015

NOTICE OF SGM

Notes:

1. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 9 October 2015. The register of members of the Company will be closed from Monday, 12 October 2015 to Wednesday, 14 October 2015, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.
2. Any Shareholder of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
3. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such Shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.
6. The form of proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 24 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.
7. As at the date of this notice, the board of Directors comprises Mr. Shum Sai Chit and Ms. Chi Bi Fen as executive Directors; Professor Meng Jian and Dr. Tam Wai Ho, Samson JP as non-executive Directors, Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang as independent non-executive Directors.