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12 January 2015

To the Listing Rules IBC, the Takeovers Code IBC and
the Independent Shareholders of Richfield Group Holdings Limited

Dear Sirs,

(1) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SALE LOAN DUE BY VASTWOOD LIMITED INVOLVING OFF-MARKET BUY-BACK OF SHARES IN RICHFIELD GROUP HOLDINGS LIMITED; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, details of which are contained in the Letter from the Board (the "**Board Letter**") in the circular (the "**Circular**") of the Company to the Shareholders dated 12 January 2015, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 December 2014, the Company entered into the Agreement with RHL and Mr. Au, pursuant to which (i) the Company conditionally agreed to sell and RHL conditionally agreed to purchase the Sale Share and the Sale Loan at the consideration of approximately HK$269.2 million; and (ii) the Company conditionally agreed to repurchase and RHL conditionally agreed to sell 760,000,000 Repurchase Shares at the consideration of approximately HK$269.2 million, which is equivalent to the consideration for the Disposal. The consideration for the Disposal and the Share Repurchase shall be set off against each other upon Completion. The Repurchase Price is approximately HK$0.354 per Repurchase Share. The 760,000,000 Repurchase Shares represent approximately 21.85% of the issued share capital of the Company as at the Latest Practicable Date and will be cancelled immediately after Completion. The Sale Share represents the entire issued share capital of Vastwood whereas the Sale Loan represents the amount due from the Vastwood Group to the Remaining Group as at the date of Completion.

As the applicable percentage ratios in respect of the Disposal and the Share Repurchase exceed 5% but are less than 25%, the Disposal and the Share Repurchase constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, since RHL is a substantial Shareholder, the Disposal and the Share Repurchase also constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Share Repurchase constitutes an off-market share buy-back under the Share Buy-backs Code which must be approved by the Executive. Such approval will normally be conditional upon approval of the Share Repurchase by at least three-fourths of the votes cast on a poll by disinterested Shareholders in attendance in person or by proxy at the EGM.

As at the date of the Latest Practicable Date, Virtue Partner is interested in 936,794,000 Shares, representing approximately 26.93% of the existing issued share capital of the Company, and Mr. Pong is interested in 352,176,000 Shares, representing approximately 10.13% of the existing issued share capital of the Company. The aggregate shareholding of Virtue Partner and parties acting in concert with it (including Mr. Pong) of 1,288,970,000 Shares represents approximately 37.06% of the issued share capital of the Company. Immediately after Completion, the shareholding interest of Virtue Partner in the Company will be increased to approximately 34.46% and the aggregate shareholding interest of Virtue Partner and parties acting in concert with it (including Mr. Pong) in the Company will be increased to approximately 47.41%.

Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code provide that where, as a result of share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, under Rule 26 of the Takeovers Code, Virtue Partner would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares other than those already owned or agreed to be acquired by Virtue Partner and parties acting in concert with it. Virtue Partner would also be required under Rule 13 of the Takeovers Code to make comparable offers for all the share options of the Company not already owned or agreed to be acquired by Virtue Partner and parties acting in concert with it. In this regard, Virtue Partner has made an application to the Executive for the Whitewash Waiver and the Executive has agreed to grant the Whitewash Waiver, which will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Completion.

In addition, since the Disposal is an arrangement made between the Company and RHL, a substantial Shareholder, which is not capable of being extended to all Shareholders, the Disposal constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) an independent financial adviser publicly stating that in its opinion the terms of the Disposal are fair and reasonable; and (ii) the approval of the Disposal by the Independent Shareholders by way of poll at the EGM.

RHL, Mr. Au, Virtue Partner, Mr. Pong, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Disposal, the Share Repurchase or the Whitewash Waiver shall abstain from voting on the resolutions approving the Disposal, the Share Repurchase and the Whitewash Waiver.

The Listing Rules IBC comprising Mr. Koo Fook Sun, Louis, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk, being all independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Disposal and the Share Repurchase.

The Takeovers Code IBC comprising Mr. Lai Hin Wing, Henry who is the non-executive Director and Mr. Koo Fook Sun, Louis, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk, who are the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Disposal, the Share Repurchase and the Whitewash Waiver.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Veda Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Listing Rules IBC and the Independent Shareholders in respect of the undertaking and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the undertaking and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Listing Rules IBC, the Takeovers Code IBC and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Director(s) and the management of the Company. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. The Company is required to notify the Shareholders of any material changes to information contained in the Circular as soon as possible subsequent to its despatch and prior to the EGM. If we become aware of any such material change, we will notify the Shareholders accordingly and of the potential impact on our recommendation set out in this letter as soon as possible.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Disposal, the Share Repurchase and the Whitewash Waiver, we have taken into consideration the following factors and reasons:

1. Background of and reasons for the entering into of the Agreement

Information of the Group

The Group is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment, property investment and trading and property development.

(i) Financial year ended 30 June 2014

As set out in the annual report of the Group for the year ended 30 June 2014 (the "**AR2014**"), the Group recorded revenue of approximately HK$560.37 million for the year ended 30 June 2014, representing an increase of approximately 457.92% as compared to the revenue of approximately HK$100.44 million for the year ended 30 June 2013 that was solely generated from the property assembly and brokerage business of the Group. As stated in the AR2014, the significant increase in the revenue was mainly attributable to the increase in revenue of the property development business of approximately HK$491.75 million for the year ended 30 June 2014. The property assembly and brokerage business of the Group, on the other hand, (i) generated revenue of approximately HK$63.36 million for the year ended 30 June 2014, represented a drop of approximately 36.92% from the previous financial year; and (ii) recorded operating losses of approximately HK$190.61 million and approximately HK$189.38 million for the two years ended 30 June 2014 and 30 June 2013 respectively. As advised by the Company, the unfavorable results from the property assembly and brokerage business of the Group were mainly attributable to the decrease in number of property assembly projects completed under an uncertain economic prospect and recent Government demand management measures on the industry and included a goodwill impairment of HK$198 million.

The Group recorded a profit attributable to the Shareholders of approximately HK$10.50 million for the year ended 30 June 2014, turnaround from a loss attributable to the Shareholders of approximately HK$195.40 million for the year ended 30 June 2013. As advised by the Company, the increase in profit was mainly attributable to the gain on disposal of the property in London which was acquired by the Group for the purpose of redevelopment into a residential and commercial complex building.

(ii) For the financial year ended 30 June 2013

The Group recorded revenue of approximately HK$100.44 million for the year ended 30 June 2013, representing a decrease of approximately 34.70% as compared to the revenue of approximately HK$153.81 million for the year ended 30 June 2012 and was mainly attributed to the decrease in revenue of the property assembly and brokerage business, being the only contributor to the revenue of the Group for the year ended 30 June 2013. The property assembly and brokerage business of the Group recorded an operating loss of approximately HK$189.38 million for the year ended 30 June 2013 and an operating profit of approximately HK$28.98 million for the year ended 30 June 2012. As set out in the annual report of the Group for the year ended 30 June 2013, the unfavorable result from the property assembly and brokerage business of the Group was mainly attributable to the decrease in number of property acquisition projects completed and a goodwill impairment of approximately HK$203 million.

The Group recorded a loss attributable to the Shareholders of approximately HK$195.40 million for the year ended 30 June 2013 while recorded a profit attributable to the Shareholders of approximately HK$24.22 million for the year ended 30 June 2012. As advised by the Company, the loss attributable to the Shareholders was due to the decrease of revenue in the property assembly and brokerage business of the Group as well as an impairment of goodwill.

(iii) For the financial year ended 30 June 2012

The Group recorded revenue of approximately HK$153.81 million for the year ended 30 June 2012, representing a decrease of approximately 68.31% as compared to the revenue of approximately HK$485.30 million for the year ended 30 June 2011 and was mainly attributed to the decrease in revenue of the property assembly and brokerage business, being the only contributor to the revenue of the Group for the year ended 30 June 2012. The property assembly and brokerage business of the Group recorded an operating profit of approximately HK$28.98 million for the year ended 30 June 2012, representing a decrease of approximately 86.46% as compared to the operating profit of approximately HK$213.99 million for the year ended 30 June 2011. As set out in the annual report of the Group for the year ended 30 June 2012, the unsatisfactory result from the property assembly and brokerage business of the Group was mainly attributable to the decrease in number of property acquisition projects completed affected by the fluctuated property market in Hong Kong with uncertain economic prospect.

The Group recorded a profit attributable to the Shareholders of approximately HK$24.22 million for the year ended 30 June 2012, representing a decrease of approximately 85.58% as compared to the profit attributable to the Shareholders of approximately HK$167.90 million for the year ended 30 June 2011. As advised by the Company, the loss attributable to the Shareholders was due to the decrease of revenue in the property assembly and brokerage business of the Group.

Information on RHL and Mr. Au

RHL is incorporated in the Republic of Marshall Islands with limited liability and is wholly and beneficially owned by Mr. Au. The principal business activity of RHL is investment holding. As at the Latest Practicable Date, RHL is beneficially interested in 760,000,000 Shares, representing approximately 21.85% of the issued share capital of the Company. Accordingly, RHL is a substantial Shareholder and each of RHL and Mr. Au is a connected person of the Company.

Information on the Vastwood Group

Vastwood is an investment holding company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Company. The Vastwood Group is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong. The Vastwood Group collaborates with major property developers in the implementation of property assembly schemes for old and run down buildings in urban districts for redevelopment.

As at 30 June 2014, each of Vastwood and East Up was a direct wholly-owned subsidiary of the Company whereas Brilliant Icon was an indirect wholly-owned subsidiary of the Company. In order to facilitate the Disposal, the Group underwent a corporate reorganisation before the signing of the Agreement, as a result of which East Up has become a wholly-owned subsidiary of Vastwood and 49% interest in Brilliant Icon was transferred to the Vastwood Group (the "**Reorganisation**"). The remaining 51% interest in Brilliant Icon is held by the Remaining Group. The Vastwood Group (other than the East Up Group) is engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments; the East Up Group is engaged in property trading; and Brilliant Icon holds an investment property with a construction in progress of an rooftop advertisement signboard. The Vastwood Group is currently reviewing, monitoring and engaging in various property assembly projects which are mainly located in Hong Kong Island and Kowloon. The property projects located in Hong Kong Island are mainly in Sheung Wan, Causeway Bay, Western District, Quarry Bay and Aberdeen, etc. while those located in Kowloon are mainly in Mong Kok, Sham Shui Po, Tai Kok Tsui, Ho Man Tin, Kwun Tong, To Kwa Wan, Hunghom and Kowloon City, etc.

Financial information of the Vastwood Group

As noted from the Board Letter, since the Reorganisation was completed subsequent to 30 June 2014, the audited consolidated financial information of Vastwood as at 30 June 2014 which were prepared in accordance with the Hong

Kong Financial Reporting Standards included only the financial information of Vastwood and its subsidiaries existed as at 30 June 2014. For illustration purpose, the total audited loss after tax of the Vastwood Group (excluding the East Up Group), the East Up Group and 49% interest of Brilliant Icon for the year ended 30 June 2014 and 30 June 2013 amounted to approximately HK$193.8 million and approximately HK$186.6 million respectively.

As advised by the Company, the financial information of the Vastwood Group before Reorganisation were much the same as the Group's property assembly and brokerage business segment results in the annual reports of the Company. As noted from the AR2014 and the AR2013, for the years ended 30 June 2014, 2013 and 2012, the Group's property assembly and brokerage business recorded a reportable segment revenue of approximately HK$63.4 million, approximately HK$100.4 million and approximately HK$153.8 million respectively while the Group's property assembly and brokerage business recorded audited reportable segement losses of approximately HK$190.6 million and approximately HK$189.4 million for the years ended 30 June 2014 and 2013 respectively and an audited reportable segment profit of approximately HK$29.0 million for the year ended 30 June 2012. As advised by the Company, the continuing decrease in reportable segment revenue was mainly due to the decrease in number of property assembly project completed under uncertain economic prospects, the recent Government demand management measures on the industry and the impairment of goodwill. The change from reportable segment profit in 2012 to reportable segment loss in 2013 and the increase in reportable segment loss from 2013 to 2014 was mainly due to the decrease of revenue in the property assembly and brokerage business of the Vastwood as well as the impairment of goodwill.

We have enquired with the Company and are given to understand that the turnover and net profit/loss of the Vastwood Group for the three years ended 30 June 2014 do not have material difference before and after taken into account of the Reorganisation.

Reasons for the Disposal

As noted from the Board Letter, the Hong Kong Government sustains its effort of raising flat supply through land sale program and other terms of land supply sources. Besides, since the Hong Kong government introduced various demand management measures (e.g. the introduction of Buyer's Stamp Duty and the Special Stamp Duty ("**SSD**"), the increase in Ad Valorem Stamp Duty rates and the tightening of terms of mortgage lending) (the "**Measures**") to curb property prices for both residential and non-residential properties, the transaction volume of properties slowed down notably. As a result, property owners and developers stayed on the sideline, awaiting for further changes and tendency of the market. Furthermore, the lowering of compulsory auction sales threshold of old building from ownership of not less than 90% to not less than 80% since 1 April 2010 also stimulated the growth of the overall acquisition price of old buildings by landlords and owners. The increment of land supply, the high acquisition price as well as the demand management measures introduced by the government affect the plans of developers, and in turn has seriously challenged the property assembly and brokerage business of the Group.

As further noted from the Board Letter, in view of the arduous business environment of the property assembly and brokerage business in Hong Kong, the Directors consider that the Disposal provides the Group with an exit opportunity to realise its investment in the property assembly and brokerage business the prospect of which is uncertain, and to focus on other businesses which can contribute better returns to the Group.

The Vastwood Group is currently engaged in the provision of property brokerage services, and carrying out schemes for property consolidation and assembly while the Remaining Group does not carry out any of these business activities. Upon Completion, the Remaining Group will be principally engaged in property investment and trading and property development. Although, the Remaining Group will continue the existing employment of an experienced management team with in-depth knowledge in providing property brokerage services and carrying out schemes for property consolidation and assembly and it holds the necessary licenses to conduct such business activities, it does not have any current intention or plan to engage in such business activities. As set out in the Board Letter, currently, the Remaining Group owns shops at ground floor and mezzanine floor located at Kimberley Road, Tsim Sha Tsui, a roof top with advertising signage in North Point for lease and has a 30% interest in the project located at Nos. 18-32 Junction Road, Kowloon. In addition, it is currently engaged in a property development project in Hong Kong (i.e. 51% interest in the project located at Nos. 142-154 Carpenter Road, Kowloon).

We noted from the AR 2014 that the business segments of the Group consisted of (i) property assembly and bokerage business; (ii) property development business (Hong Kong); (iii) property development business (the United Kingdom); and (iv) property investment and trading business. For the year ended 30 June 2014, the most profitable business segment of the Group was property development business (the United Kingdom) with a reportable segment profit of approximately HK$156.3 million while the least profitable business segment was property assembly and brokerage business with a reportable segment loss of approximately HK$190.6 million.

As further noted from the AR2014, the growth of Hong Kong economy remained moderate in the year and yet the property market is still under a fluctuated condition. In order to diversify the business scope, the Group has been engaging in property developments and property investment and trading so as to broaden the revenue base which benefit the Company and the Shareholders as a whole in the long run. The Group has been exploring business opportunities both locally and internationally. During the financial year 2014, the Group has engaged in two local property development projects in Hong Kong. The experience of the Group obtained in those projects can be applicable to the Group's future property development projects. Since the demand and needs of urban residential property of Hong Kong was growing continuously, the Group would monitor the market situation closely while dedicated to develop strategically in the property assembly, brokerage and development business for driving considerable growth of the Group. The Group is conscious to monitor and analyze the impact of the local and global economy so as to make cautious business decisions and to adjust the Group's development plan if necessary so as to maximize the return to the Shareholders.

We noted from the website of The Land Registry (www.landreg.gov.hk), the number of agreements for sale and purchase of building units, including both residential and non-residential, has dropped by approximately 38.98% in 2013 as compared to 2012.

More recent information were found in the Hong Kong's Recent Economic Situation and Near-term Outlook published by the Economic Analysis and Business Facilitation Unit of the Financial Secretary's Office of the Government ("**FSO**") on 3 June 2014, and as reported, the residential property market continued to consolidate in recent months and the total number of sale and purchase agreements for residential property received by The Land Registry remained at a low level of 3,892 cases per month during January to April 2014, well below the long-term monthly average of 7,900 cases over 1994-2013.

Apart from continuing the Measures, the Hong Kong Government resumed regular land sale and exerted efforts to increase flat and land supply in the short, medium and long terms and implemented credit-tightening measures to prevent excessive expansion in mortgage lending. The Hong Kong Government is intended to regain the supply-demand balances situation of the property market and strive to forestall an increased risk of property bubble that would hamper the financial and social stability of Hong Kong. We noted in the Policy Address 2014 (www.policyaddress.gov.hk), the Chief Executive of Hong Kong has also indicated that the housing shortage problem in Hong Kong is serious and the Hong Kong Government is committed to provide a total of 470,000 new housing units in the coming ten years through, among other ways, ensuring adequate of land supply. According to the Third Quarter Economic Report 2014 published by FSO, in September 2014, the Hong Kong Government announced that a total of six resident sites will be put up for sale by tender in the fourth quarter and combining the various sources (including the Hong Kong Government land sale, railway property development projects, the Urban Renewal Authority's projects and private re-development/development projects), the total land supply for the first three quarters of financial year 2014/15 (i.e. from the second to the fourth quarter of 2014) is estimated to be about 16,800 units, representing about 90% of the average annual target for private housing land supply adopted from 2014/15. For the medium term, total supply of flats in the coming few years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) rose to a record high of 74,000 units as estimated at end-September 2014. The business in redevelopment projects of the Group were adversely affected by the increasing of land supply as building on a vacant piece of disposed land requires less time than property assemblying of the site and then rebuilding a property with addition benefits of not having to negotiate with and persuade and compensate to the evaded original owners of the properties.

The Hong Kong's property market is also anticipated to be further affected by other international factors such as the recovery speed of the global economy and has further perplexed after the United States concluded its asset purchase programme leaving the market concerns of the timing of a potential interest rate hike. Meanwhile, the property market may also experiences considerable fluctuations as sentiment, interest rate expectations and international fund flows shift with the developments of various factors while the risks of housing market bubbles continued to be prominent.

Concerning the acquisition price of old buildings by landlords and owners, we have requested the information of property assembly projects in Hong Kong completed during 2010 to 2014 (the "**Period**") by the Vastwood Group. As advised by the Company, there were 58 property assembly projects during the Period (the "**Projects**"). We have obtained from the Company and reviewed the average prices per sq ft. of old buildings under all the Projects. We noted that the old buildings under the Projects can be classified into three categories, which are (i) residential buildings in Kowloon; (ii) residential buildings in Hong Kong Island; and (iii) factories in both Kowloon and Hong Kong Island. We noted that, since the lowering of compulsory auction sales threshold of old building from ownership of not less than 90% to not less than 80% since 2010, the average prices per sq ft. of the old buildings under the Projects have increased by (i) approximately 160% for residential buildings in Kowloon; (ii) approximately 113% times for residential buildings in Hong Kong Island; and (iii) approximately 207% for factories in both Kowloon and Hong Kong Island, during the Period. Besides, the additional taxes on property transactions, have increased the costs of buying flats in old buildings.

Having considered that (i) the poor performance and loss makings of the Vastwood Group for the two years ended 30 June 2014; (ii) the adverse prospects of the property assembly and brokerage business; (iii) the increase in costs for the property assembly and brokerage projects; (iv) efforts exerted by the Hong Kong Government to increase flat and land supply; and (v) resources can be reallocated and the Company can focus in developing the business of the Remaining Group, which had better financial performance, we are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

Date: 11 December 2014

Parties:

(i) the Company;

(ii) RHL; and

(iii) Mr. Au, as RHL's guarantor to guarantee the due and punctual performance of RHL's obligations under the Agreement.

Subject matter

Pursuant to the Agreement, (i) the Company conditionally agreed to sell and RHL conditionally agreed to purchase the Sale Share and the Sale Loan; and (ii) the Company conditionally agreed to repurchase and RHL conditionally agreed to sell 760,000,000 Repurchase Shares. The Sale Share represents the entire issued share capital of Vastwood whereas the Sale Loan represents the amount due from the Vastwood Group to the Remaining Group as at the date of Completion. As at 30 June 2014, the Vastwood Group was indebted to the Remaining Group in the amount of approximately HK$275.7 million. The 760,000,000 Repurchase Shares represent approximately 21.85% of the issued share capital of the Company as at the Latest Practicable Date.

Consideration for the Disposal

(i) Basis of consideration

The consideration for the Disposal is approximately HK$269.2 million and will be settled by RHL by way of selling 760,000,000 Repurchase Shares to the Company at Completion. The consideration for the Disposal is equivalent to (i) the amount due from the Vastwood Group to the Remaining Group as at 30 June 2014; less (ii) the unaudited net liability value of the Vastwood Group as at 30 June 2014, and was determined after arm's length negotiation taking into account the nature of business of the Vastwood Group, the financial performance of the Vastwood Group during the past years and the market values of the properties held by the Vastwood Group in the amount of approximately HK$202.4 million as at 31 October 2014 with a valuation gain of approximately HK$32.6 million as compared to the book value of the properties held by the Vastwood Group as at 30 June 2014 of approximately HK$169.8 million. Such properties are covered in the valuation as at 31 October 2014 of the property interests held by the Group conducted by Ascent Partners Valuation Service Limited and the property valuation report is set out in appendix III of the Circular.

We noted from the the announcement of the Company (formerly named as Maxitech International Holdings Limited with stock code: 8136) dated 18 April 2007 (the "**2007 Acquisition Announcement**") in relation to the acquisition (the "**Acquisition**") of the business of the Vastwood Group (the "**Target Business**") by the Group in 2007 that the consideration for the Acquisition was HK$597 million and we also noted from the announcement of the Company dated 13 June 2008 (the "**Settlement Agreement Announcement**") in relation to the entering of the settlement agreement that the consideration for the Acquisition was adjusted to HK$477 million due to the shortfall between the actual profit and the guaranteed profit, details of which have been set out in the Settlement Agreement Announcement.

Despite the fact that the consideration for the Acquisition was higher than the consideration for the Disposal, having considered (i) the difference in the financial performance of the Target Business at the time of Acquisition and the latest financial performance of the Target Business. As noted from the 2007 Acquisition Announcement, the Target Business recorded a net profit of approximately HK$24.2 million while the Target Business recored net loss of approximately HK$190.6 million and approximately HK$189.4 million for the years ended 30 June 2014 and 2013 respectively; (ii) the difference in the basis of determining the consideration. As noted from the 2007 Acquisition Announcement, the consideration for the Acquisition was determined by price-to-earnings approach which has taken into consideration of the potential profitability of the projects on hand, the progress of the projects for the next 12 months, the probability of success of the projects under the Target Business, the anticipated selling price of the properties successfully consolidated and the business expansion in terms of the number of projects in progress and the number of staff employed while the consideration for the Disposal was determined taking into account the Sale Loan and the net liability of the Vastwood Group; and (iii) the introduction of the Measures by the Hong Kong Government since 2010 which has seriously challenged the property assembly and brokerage business, we are of the view that the consideration for the Acquisition is not comparable to the consideration for the Disposal.

As noted from the Board Letter, as at 30 June 2014, the audited net liability of the Vastwood Group (excluding the East Up Group) was approximately HK$51.9 million, the audited net asset value of the East Up Group was approximately HK$45.3 million and the audited net liability value of 49% interest of Brilliant Icon was approximately HK$0.6 million. Also, as at 30 June 2014, the Sale Loan amounted to approximately HK$275.7 million.

By disposal of the Sale Loan to RHL, the adjusted net asset value of the Vastwood Group as at 30 June 2014 assuming the Reorganisation has become effective would have become approximately HK$268.6 million (the "**Adjusted NAV**"). The consideration for the Disposal is slightly above the Adjusted NAV. Also, having considered the disappointed financial performance and prospects of the Vastwood Group, we are of the view that the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(ii) The Share Repurchase

Reasons for the Share Repurchase

The consideration for the Share Repurchase is approximately HK$269.2 million (which is equivalent to the consideration for the Disposal) and will be settled by the Company by way of selling the Sale Share and the Sale Loan to RHL at Completion. The consideration for the Share Repurchase was determined after arm's length negotiations between the parties to the Agreement with reference to (i) the prevailing market price of the Shares; and (ii) the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$1,518 million as at 30 June 2014. The consideration for the Disposal and the Share Repurchase shall be set off against each other at Completion.

The business of the Vastwood Group was acquired by Vastwood from RHL in 2007 for the consideration of HK$597 million which comprised convertible bonds in the principal amount of HK$456 million, promissory note in the principal amount of HK$120 million and cash in the amount of HK$21 million. RHL and Mr. Au had guaranteed (the "**Profit Guarantee**") that the profits to be generated from such business for the 12-month period following completion (the "**Guarantee Period**") would reach certain amount (the "**Guaranteed Profit**"). If the Guaranteed Profit could not be reached, the consideration shall be adjusted downwards based on the shortfall. In view of the expected failure to meet the Profit Guarantee, Vastwood, RHL and Mr. Au entered into a settlement agreement in June 2008 pursuant to which, among other things, the Guaranteed Profit was revised and the Guarantee Period was extended. In return, RHL had returned to the Company the promissory note in the principal amount of HK$120 million (together with interest accrued thereto) for cancellation. The 760,000,000 Repurchase Shares were issued to RHL upon full conversion of the convertible bonds. As a result of the Acquisition and the aforesaid settlement, the Group recognised a goodwill of HK$474 million. As mentioned above, the Vastwood Group recorded impairment loss on goodwill of HK$203 million and HK$198 million for each of the two years ended 30 June 2013 and 2014 due to the deteriorating market condition and performance of the property brokerage and assembly business of the Group. The carrying value of the goodwill in the financial statements of the Vastwood Group as at 30 June 2014 was HK$73 million.

In light of (i) the entire promissory note in the principal amount of HK$120 million had been returned to the Company for cancellation pursuant to the settlement agreement; (ii) the Vastwood Group had recorded total impairment losses on goodwill of approximately HK$401 million subsequent to the Acquisition; and (iii) the sum of the net liability value of the Vastwood Group and the amount due from the Vastwood Group to the Remaining Group as at 30 June 2014 approximates the value of the Repurchase Shares based on the prevailing market price of the Shares, the Directors consider it commercially reasonable to settle the consideration for the Disposal by way of the Company repurchasing and cancelling the Repurchase Shares. Having considered (i) the consideration of the Acquisition was subsequently adjusted downwards by returning the promissory note to the Group for cancellation; (ii) the poor performance and loss makings of the Vastwood Group for the two years ended 30 June 2014; and (iii) the impairment losses on goodwill and the net liability recorded by the Vastwood Group, we concur with the view of the Directors that it commercially reasonable to settle the consideration for the Disposal by way of the Share Repurchase.

Following the Share Repurchase and the cancellation of the Repurchase Shares, the Company's issued share capital is expected to decrease from 3,478,500,000 Shares to 2,718,500,000 Shares and would enhance the Company's financial performance as measured on a per Share basis.

As confirmed by the Board, during the negotiations between the Company, RHL and Mr. Au, the Disposal and the Share Repurchase were discussed together and were considered as part and partial of the entire transaction as a whole. Therefore, having considered that (i) the purpose of the Share Repurchase is for satisfying RHL's obligation to pay the consideration of the Disposal and the Disposal and the Share Repurchase were part and partial of the entire transaction as a whole; (ii) the Repurchase Shares were issued to RHL upon conversion of the convertible bonds issued by the Company in the Acquisition in 2007; (iii) the Disposal is considered to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole as analysed above; (iv) the Share Repurchase can allow the Company to repurchase a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume, which alongside the reduction of the total number of Shares in the Company, may lead to improved financial performance, as measured on a per Share basis; (v) the Share Repurchase reduces the number of Shares in issue, which may have a positive financial effect and may enhance per Share value; and (vi) the Share Repurchase is required to be approved by Independent Shareholders at the EGM, we considered that the Share Repurchase is in the interest of the Company and the Independent Shareholders as a whole.

The Repurchase Price

The Repurchase Price is calculated by dividing the consideration for the Share Repurchase by the number of Repurchase Shares of 760,000,000 and is equivalent to approximately HK$0.354 per Repurchase Share.

The Repurchase Price of approximately HK$0.354 per Repurchase Share represents:

(i) a discount of approximately 10.4% to the closing price of HK$0.395 per Share as quoted on the Stock Exchange on 11 December 2014, being the date of the Agreement;

(ii) a discount of approximately 4.1% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including 11 December 2014 of approximately HK$0.369 per Share;

(iii) a discount of approximately 0.3% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including 11 December 2014 of approximately HK$0.355 per Share;

(iv) a premium of approximately 12.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including 11 December 2014 of approximately HK$0.315 per Share;

(v) a premium of approximately 16.1% to the closing price of HK$0.305 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a discount of approximately 18.8% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$0.436 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately HK$1,518 million as at 30 June 2014 and 3,478,500,000 Shares in issue as at 30 June 2014); and

(vii) a discount of approximately 14.7% to the audited consolidated net tangible asset value of the Group attributable to the Shareholders of approximately HK$0.415 per Share (based on the audited consolidated net tangible assets attributable to the Shareholders of approximately HK$1,445 million as at 30 June 2014 and 3,478,500,000 Shares in issue as at 30 June 2014).

We noted from (i) the 2007 Acquisition Announcement and the circular of the Company dated 10 May 2007 in relation to the Acquisition; and (ii) the Settlement Agreement Announcement, the circular of the Company dated 4 July 2008 and the circular of the Company dated 28 July 2008 in relation to the entering of the settlement agreement and supplemental settle agreement regarding the Acquisition that part of the consideration of the Acquisition was settled by the issuance of the convertible bonds at the principal amount of HK$456 million. The initial conversion price of the convertible bonds was HK$0.6 per conversion share. In other words, the Repurchase Shares were issued at HK$0.6 per Repurchase Share while the Company can buy back the Repurchase Shares at approximately HK$0.354 per Repurchase Share under the Share Repurchase, which representing a discount of approximately 41%.

From the above analysis, we consider the Company can buyback its Shares at a favorable price given that the Repurchase Price represents (i) a discount to the average historical Share price over last 10 trading days up to and including 11 December 2014 (the date of the Agreement); (ii) a discount to the audited net asset value per Share attributable to Shareholders as at 30 June 2014; and (iii) a discount to the initial conversion price of the Convertible Bonds. Therefore, we are in the view that the Repurchase Price is fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effect of the Disposal and the Share Repurchase

Upon Completion, Vastwood will cease to be a subsidiary of the Company and the results, assets and liabilities of the Vastwood Group will no longer be consolidated into the financial statements of the Group. RHL will cease to hold any Shares upon Completion.

Upon Completion, the Repurchase Shares shall be cancelled and any rights attached thereto shall cease with effect from the date of the Completion.

Immediately after the Completion and the cancellation of the Repurchase Shares, the Company's issued share capital is expected to decrease from 3,478,500,000 Shares to 2,718,500,000 Shares.

As noted from the Board Letter, as a result of the Disposal and the Share Repurchase, the Company will effectively dispose of 100% interest in the Vastwood Group (including 100% interest in the East Up Group) and 49% interest in Brilliant Icon. The remaining 51% interest in Brilliant Icon will still be held by the Remaining Group and the Company will continue to have control over Brilliant Icon. As such, the difference between the amount by which the 49% non-controlling interests of Brilliant Icon are adjusted and the fair value of the consideration received is recognized directly in the Group's equity.

As illustrated in the unaudited pro forma statement of net asset of the Remaining Group set out in Appendix II to the Circular, it is expected that the Group will record a loss of approximately HK$107.1 million on the Disposal after the estimated transaction costs, which is calculated with reference to the fair value of consideration of approximately HK$165.7 million (which is the market value of the 760,000,000 Repurchase Shares of HK$0.218 per Share as at 30 June 2014) less (i) the audited net liability value of the Vastwood Group (excluding the East Up Group) as at 30 June 2014 of approximately HK$51.9 million and the audited net asset value of the East Up Group as at 30 June 2014 of approximately HK$45.3 million; (ii) the amount due from the Vastwood Group (excluding the East Up Group) and the East Up Group to the Remaining Group as at 30 June 2014 of approximately HK$275.7 million; and (iii) the estimated transaction costs of approximately HK$3.7 million relating to the Disposal, as if the Disposal and the Share Repurchase had been completed on 30 June 2014.

As noted from the Board Letter, the unaudited pro forma loss calculated above is prepared by the Directors for illustrative purposes only. Shareholders should note that the actual amount of gain or loss from the Disposal will be determined based on the closing price of the Shares, the net asset/liability value of the Vastwood Group and the actual amount of the Sale Loan as at Completion, and the actual transaction costs relating to the Disposal, and may be different from the expected loss as calculated above.

References are also made to the unaudited pro forma financial information of the Remaining Group and the accountant's report thereon issued by BDO Limited set out in Appendix II to the Circular and the report issued by Optima Capital Limited on the expected loss above contained in Appendix III to the circular.

As a result of the Disposal and the Share Repurchase, the net asset value of the Group, attributable to the Shareholders will be decreased by approximately HK$272.8 million, from approximately HK$1,518.4 million as at 30 June 2014, which is extracted from the Group's audited financial statements for the year ended 30 June 2014 set out in Appendix I to the Circular to approximately HK$1,245.6 million, and the net asset value of the Group, attributable to the Shareholders will be improved by approximately HK$0.022 per Share, from approximately HK$0.436 per Share as at 30 June 2014 to approximately HK$0.458 per Share, as if Disposal and the Share Repurchase has been completed on 30 June 2014.

Notwithstanding the Group is expected to record a loss as a result of the Disposal and the Share Repurchase, given that (i) the Disposal and the Share Repurchase would bring positive effect on the net asset per Share of the Group attributable to the Shareholders; (ii) the principal factors and reasons we considered as set out in the section headed "Reasons for the Disposal" and (iii) each of the consideration for the Disposal, the Share Repurchase and the Repurchase Price is fair and reasonable as set out in the section headed "Consideration for the Disposal", we are of the view that the Disposal and the Share Repurchase are in the interests of the Company and the Independent Shareholders as a whole.

4. Whitewash Waiver and the Special Deal

As at the date of the Latest Practicable Date, Virtue Partner is interested in 936,794,000 Shares, representing approximately 26.93% of the existing issued share capital of the Company, and Mr. Pong is interested in 352,176,000 Shares, representing approximately 10.13% of the existing issued share capital of the Company. The aggregate shareholding of Virtue Partner and parties acting in concert with it (including Mr. Pong) of 1,288,970,000 Shares represents approximately 37.06% of the issued share capital of the Company. Immediately after Completion, the shareholding interest of Virtue Partner in the Company will be increased to approximately 34.46% and the aggregate shareholding interest of Virtue Partner and parties acting in concert with it (including Mr. Pong) in the Company will be increased to approximately 47.41%.

Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code provide that where, as a result of share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, under Rule 26 of the Takeovers Code, Virtue Partner would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares other than those already owned or agreed to be acquired by Virtue Partner and parties acting in concert with it. Virtue Partner would also be required under Rule 13 of the Takeovers Code to make comparable offers for all the share options of the Company not already owned or agreed to be acquired by Virtue Partner and parties acting in concert with it. In this regard, Virtue Partner has made an application to the Executive for the Whitewash Waiver which, if granted, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Completion.

Based on our analysis above, we consider that the Disposal and the Share Repurchase are in the interests of the Company and the Independent Shareholders as a whole and are fair and reasonable as far as the Independent Shareholders are concerned. If the Whitewash Waiver is not granted by the Executive or if the Whitewash Waiver is not approved by the Independent Shareholders, the Disposal and the Share Repurchase will not proceed and the Company will lose all the benefits that are expected to be brought by the successful completion of the Disposal and the Share Repurchase.

In addition, since the Disposal is an arrangement made between the Company and RHL, a substantial Shareholder, which is not capable of being extended to all Shareholders, the Disposal constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) an independent financial adviser publicly stating that in its opinion the terms of the Disposal are fair and reasonable; and (ii) the approval of the Disposal by the Independent Shareholders by way of poll at the EGM.

RECOMMENDATION

Whilst the Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of the business of the Company, having considered the above-mentioned principal factors and reasons, we consider (i) the terms of the Disposal , the Share Repurchase and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal, the Share Repurchase and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Listing Rules IBC and the Takeovers Code IBC to recommend the Independent Shareholders to vote in favour of the resolution to approve the the Disposal, the Share Repurchase and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.