The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

[●] 2016

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

SPECIAL DEAL, CONNECTED TRANSACTION AND VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DIVESTMENT OF 100% OF THE SHARES IN AYKENS HOLDINGS LIMITED AND HOPLAND ENTERPRISES LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Divestment, details of which are set out in the letter from the Board contained in this circular of the Company to the Shareholders dated [●] 2016, (the "**Circular**") of which this letter forms a part. Unless indicated otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Joint Announcement and the Company's announcements dated 20 November 2015, 28 January 2016 and 23 March 2016, the Company and the Offeror jointly announced, among others:

- the entering into of the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016), pursuant to which the Offeror has conditionally agreed to acquire in two tranches, being the Tranche 1 Transfer and the Tranche 2 Transfer, (i) from Seller 1 (the majority shareholder of the Company) the Sale Shares, being 175.0 million Ordinary Shares (approximately 50.4% of the total number of Ordinary Shares in issue as at the Latest Practicable Date), at a consideration of approximately HK$117.2 million (or HK$0.6696 per Sale Share); and (ii) from Seller 2 the Sale Bonds, being part of the Convertible Bonds and convertible into approximately 262.1 million CB Conversion Shares, at a consideration of approximately HK$175.5 million (or HK$0.6696 per underlying CB Conversion Share);

- that subject to fulfilment (or where applicable, waiver) of the S&P Conditions and immediately following the S&P Completion, the Offeror and parties acting in concert with it will be interested in an aggregate of approximately 199.4 million Ordinary Shares, representing approximately 57.4% of the total number of Ordinary Shares in issue as at the Latest Practicable Date, and the Offeror will be required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Subject to and upon the S&P Completion, Essence Securities will, on behalf of the Offeror, make the Offer on the basis of HK$0.6696 in cash for each Offer Share;

- the entering into of the Subscription Agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, approximately 1,269.4 million Ordinary Subscription Shares (approximately 365.5% of the total number of Ordinary Shares in issue as at the Latest Practicable Date) and approximately 2,747.9 million Preferred Shares (approximately 791.2% of the total number of Ordinary Shares in issue as at the Latest Practicable Date, upon conversion in full), at the Subscription Price of HK$0.6696 per Subscription Share;

- the entering into of the Acquisition Agreement (as amended on 20 November 2015, 28 January 2016 and 23 March 2016) for the proposed acquisition by the Company of the entire equity interests in the PRC Target, which is principally engaged in upstream crude oil exploration, development and production, at a consideration of approximately RMB558.9 million (or approximately HK$682.0 million);

- the entering into of the CN Subscription Agreement (as amended on 20 November 2015, 28 January 2016 and 23 March 2016), pursuant to which League Way has conditionally agreed to subscribe for the Convertible Note to be issued by the Company, in the aggregate principal amount of HK$250.0 million, with an initial conversion price of HK$0.6696 per Ordinary Share (approximately 107.5% of the total number of Ordinary Shares in issue as at the Latest Practicable Date, upon conversion in full);

- that as a result of the Subscription and the CN Subscription, the Existing CB Conversion Price will be adjusted from HK$0.3695 to HK$0.0672 per CB Conversion Share pursuant to the terms and conditions of the Convertible Bonds subject to the Subscription Completion and the CN Subscription Completion; and

- the entering into of the Divestment Agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016) for the proposed sale by the Company to Seller 1 of the Divestment Shares, being the entire issued and outstanding share capital of each of Target 1 and Target 2, the Current Accounts Receivable and the shares of SouFun held by the Company, at an initial consideration of approximately HK$1.6 million, subject to adjustments.

Tranche 1 Sale Completion took place on 27 October 2015 and as at the Latest Practicable Date, the Offeror and its concert parties were interested in approximately 17.4% of the entire issued share capital in the Company.

Further details on the S&P Agreement and the Transactions (of which the Divestment forms a part) are set out in the letter from the Board contained in the Circular. Further details on the Offer will be set out in the Composite Document, to be despatched in accordance with the Takeovers Code.

As one or more of the applicable percentage ratios in respect of the Divestment are 75% or more, it constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Seller 1 is wholly-owned by, and an associate of, Mr. Mo, a non-executive Director. Accordingly, the Divestment also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14 and Chapter 14A of the Listing Rules, the Divestment Agreement and the transactions contemplated thereunder are therefore subject to the disclosure and the Independent Shareholders' approval requirements.

In addition, since the Divestment is an arrangement made between the Company and Seller 1, the majority Shareholder, which is not capable of being extended to all Shareholders, the Divestment 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 advisor publicly stating that in its opinion the terms of the Divestment are fair and reasonable; and (ii) the approval of the Divestment by the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Prof. Chen Zhiwu, has been established to make recommendation to the Independent Shareholders in respect of the Divestment Agreement and the transactions contemplated thereunder. Mr. Mo, a non-executive Director is not a member of the Independent Board Committee as he, as a party to the S&P Agreement and being interested in the Divestment Agreement (through Seller 1), is considered to have material interests in the Offer and the Divestment. We, Somerley Capital Limited, have been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the Divestment. Our appointment has been approved by the Independent Board Committee.

We are not associated with the Company, Seller 1, or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Divestment. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Seller 1, or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Divestment Agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016), the annual report of the Company for the financial year ended 31 March 2015, the interim report of the Company for the six months ended 30 September 2015, the unaudited financial information of the Divestment Group as set out in Appendix V to the Circular, the unaudited pro forma financial information of the Restructured Group as set out in Appendix VI to the Circular, and the independent property valuation report on the Real Properties as set out in Appendix X to the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Company and have assumed that the information and facts provided, and the opinions expressed to us are true, accurate and complete in all material aspects. Independent Shareholders will be notified of material changes to such information provided and our opinion, if any, as soon as practicable after the Latest Practicable Date and up to and including the date of the SGM. [We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and that the opinions expressed to us are not misleading in any material respect.] We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group or the new business of the Restructured Group following, among others, the S&P Completion and the completion of the Transactions, nor have we carried out any independent verification of the information supplied.

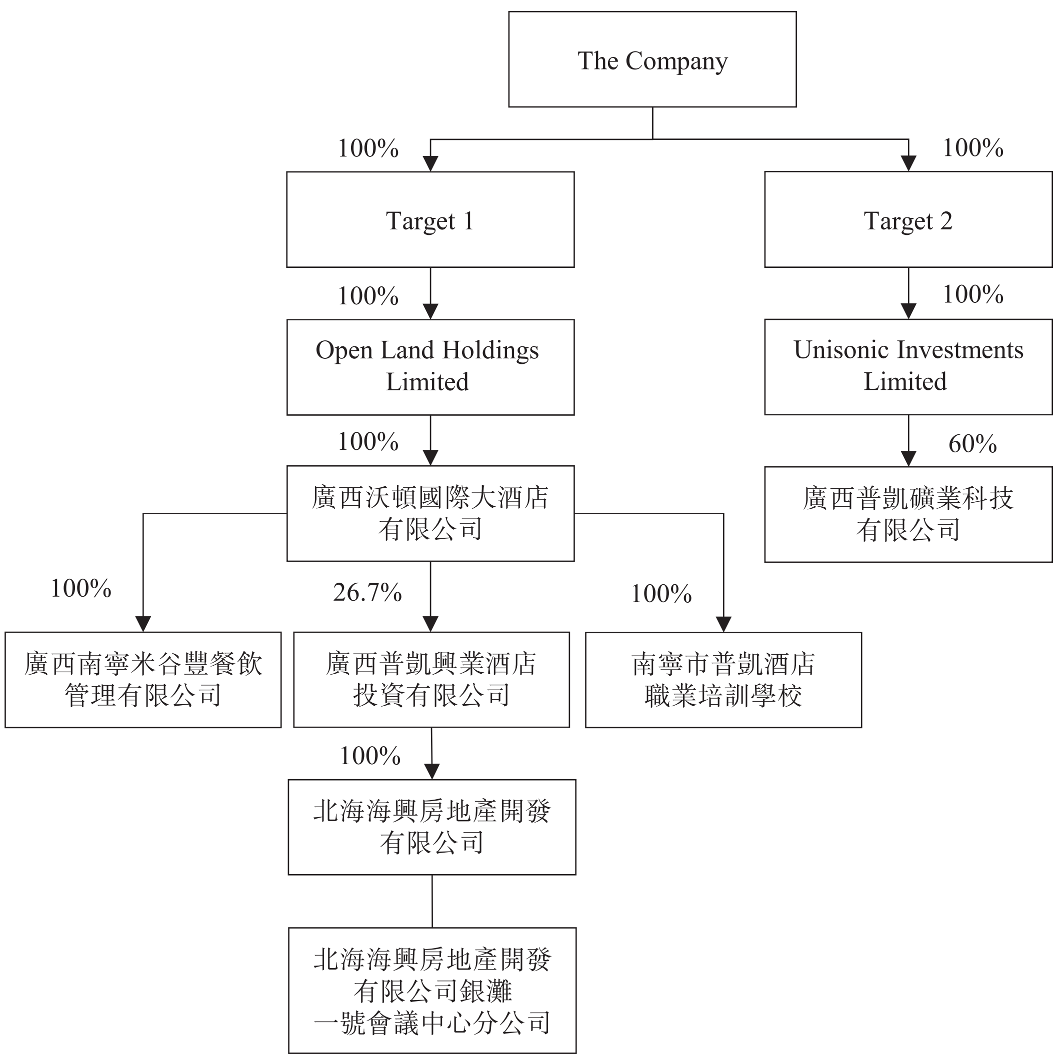
PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Divestment, we have taken into account the following principal factors and reasons:

1. Background of the Group and reasons for the Divestment

a. Background and business of the Group

The Group is principally engaged in hotel and restaurant operations in the PRC through its 100% equity interest in the Divestment Group, which comprises Target 1, Target 2, and their respective subsidiaries. The corporate chart of the Company and the Divestment Group as at the Latest Practicable Date was as follows:



Target 1, through its indirect wholly-owned subsidiary, 廣西沃頓國際大酒店有限公司 (Guangxi Wharton International Hotel Limited), holds the Nanning Hotel, 19 residential units in Ruishi Garden and Minghu Garden, Nanning City (the "**Residential Units**") and an approximately 26.7% equity interest in a joint venture, 廣西普凱興業酒店投資有限公司 (Guangxi Pukai Xingye Hotel Investment Ltd., "**Pukai Xingye**"). As confirmed by the management of the Group, the Residential Units, which are all located in Nanning City, are being used for staff accommodation and rental income purposes. Pukai Xingye indirectly holds the Beihai Yintan No. 1 Hotel (the "**Beihai Hotel**") located in Beihai, Guangxi, the PRC, and two parcels of land near the Beihai Hotel (the "**Land Parcels**"). Target 2 and its subsidiaries did not have an active business operation as at the Latest Practicable Date. As at the Latest Practicable Date, the Group did not have other significant operations save for the Divestment Group.

b. Financial information of the Group

Set out below are the highlights of the financial results of the Group for the three years ended 31 March 2015 and the six months ended 30 September 2014 and 2015, details of which are set out in Appendix IV to the Circular:

	For the six months ended 30 September		**For the year ended 31 March**		
	2015	**2014**	**2015**	**2014**	**2013**
	(unaudited)	(unaudited and represented)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	—	—	143,695	121,384	157,908
Gross Profit	—	—	27,870	14,446	41,274
Loss attributable to owners of the Company	(10,575)	(33,113)	(234,020)	(197,298)	(24,667)

Revenue from hotel business, being the operation of the Divestment Group, represented almost the entire source of revenue of the Group for each of the past three financial years. For further information on the operating performance of the hotel business, please refer to sub-section headed "Principal Factors and Reasons Considered — 3. Information on the Divestment Group" in this letter.

The Group has been loss making in recent years. Apart from the unsatisfactory performance of its hotel operation, the significant loss for the financial year ended 31 March 2014 was mainly attributable to litigation provisions of approximately HK$166.8 million in relation to a contractual dispute between the Group and an ex-shareholder of a subsidiary (the "**Subsidiary**") of the Group in the year ended 31 March 2015 (the "**Legal Proceedings**"), as stated in the annual report of the Company for the financial year ended 31 March 2015. It was further stated that the

Subsidiary has paid the litigation settlement in full and the above case was closed. Details of the Legal Proceedings were set out in the announcement of the Company dated 18 December 2014.

For the financial year ended 31 March 2015, the loss attributable to the owners of the Company widened to approximately HK$234.0 million, which was largely due to an impairment loss recognised in respect of the Nanning Hotel of approximately HK$120.9 million and a loss on modifications of terms of the Convertible Bonds of approximately HK$68.9 million.

As set out in the Company's interim report for the six months ended 30 September 2015, following the entering into of the Divestment Agreement, the Divestment Group was regarded as a discontinued operation of the Group. Also, the comparative financial information of the Group for the same period in 2014 has been represented. For the six months ended 30 September 2015, there was no revenue from continuing operation generated by the Group, and the Group recorded loss attributable to the owners of the Company of approximately HK$10.6 million, which mainly included finance costs of approximately HK$2.9 million and loss for the period from discontinued operation (i.e. operation of the Divestment Group) of approximately HK$5.3 million.

Set out below is a summary of the consolidated assets and liabilities of the Group as at 31 March 2013, 2014, 2015 and 30 September 2015 respectively, details of which are set out in Appendix IV to the Circular:

	As at 30 September 2015	**As at 31 March 2015**	**2014**	**2013**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	1	416,234	571,044	586,144
Current assets	439,429	38,018	72,537	56,932
Current liabilities	446,393	185,128	466,308	121,688
Non-current liabilities	107,394	374,151	168,920	314,577
Net current liabilities	6,964	147,110	393,771	64,756
Net (liabilities)/assets attributable to the owners of the Company	(121,325)	(112,410)	154	198,128

As at 31 March 2015, assets of the Group mainly comprised its holding of the Nanning Hotel and its joint venture interest in Pukai Xingye, and the liabilities of the Group mainly represented bank borrowings, amounts due to related companies ultimately owned by Mr. Mo, and the Convertible Bonds maturing in April 2018.

As shown above, the Group recorded net current liabilities of approximately HK$147.1 million and net liabilities attributable to owners of the Company of approximately HK$112.4 million respectively as at 31 March 2015. The auditors of the Company, SHINEWING (HK) CPA Limited ("**Shinewing**"), have expressed a disclaimer of opinion on their report in respect of the Group's financial statements for the year ended 31 March 2015, as they were unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, and the successful implementation and outcome of certain cost-saving measures, which might cast a significant doubt on the Group's ability to continue as a going concern.

As at 30 September 2015, the Group reclassified all assets and liabilities in respect of the Divestment Group, being the hotel operations of the Group, as held for sale in current assets and current liabilities in the Group's consolidated balance sheet, following the entering into of the Divestment Agreement to dispose of the Group's hotel operations. The liabilities attributable to owners of the Company worsened to approximately HK$121.3 million as at 30 September 2015.

c. Background to and reasons for the Divestment

As set out in the letter from the Board in the Circular, the operating environment and prospects of the Group's existing hotel and restaurant business remains challenging. Through Mr. Mo, the Company was approached by the Offeror which offered a proposal to inject substantial cash to the Company of up to approximately HK$2,690.0 million under the Subscription.

Under the Acquisition, the Company will be able to invest in the PRC Target which is principally engaged in the exploration, development and production of crude oil through the EPCC in the PRC. The PRC Target has been working on the exploration and development of the Area for oil reserves through the EPCC entered into between the PRC Target and Yanchang, which owns the relevant oil mineral exploration permits. Yanchang is a branch company of Shaanxi Yanchang Petroleum (Group) Company Limited, a state-owned enterprise that is one of four enterprises, which can own mineral rights in respect of upstream oil and gas resources in the PRC. The Area, located in Inner Mongolia of the PRC, comprises Block 212, which is in development stage, and Block 378, in which no material exploration work has been carried out as at the Latest Practicable Date. As the Acquisition constitutes a reverse takeover for the Company, the Company is being treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition is therefore also subject to the approval by the Listing Committee of a new listing application to be made by the Company. As stated in the letter from the Board in the Circular, the CN Subscription is to be carried out in connection with the Acquisition and will help the Restructured Group further strengthen its cash position for the development of the PRC Target's business after completion of the Transactions.

The Company understands that the Offeror is not interested in the Group's existing hotel and restaurant assets and operations and has suggested the Company to divest them from the Group. As such, the Divestment Agreement has been entered into for the purpose of disposing the Divestment Group to Seller 1, the existing majority Shareholder.

The Divestment Completion is conditional on the S&P Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion. The S&P Completion is not conditional on the Divestment Completion. The Divestment Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion shall take place simultaneously, after the S&P Completion. Independent Shareholders should note that if the Divestment Agreement is not approved by the Independent Shareholders, neither the S&P Agreement nor the Transactions would complete. It also follows that the Offer would not proceed.

The Directors consider that the entering into of the Transactions represents a good opportunity for the Company to (i) raise a substantial amount of additional funds; and (ii) improve the financial position and liquidity and trading prospects of the Company. As set out in the sub-section headed "Principal Factors and Reasons Considered — 3. Information on the Divestment Group — C. Prospects of the Divestment Group" in this letter, the Divestment Group has faced and is expected to continue to face for the foreseeable future considerable headwind as regards to its hotel business. Given that the Divestment Completion would not occur without the S&P Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion, Divestment Completion would entail the Group not only divesting the Divestment Group, but also entering a new principal business through the Acquisition, namely, upstream oil exploration, development and production.

Independent Shareholders should note that completion of the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment are subject to a number of conditions precedent, some of which involve the decisions of third parties, including approvals by the Independent Shareholders at the SGM and the approval of the deemed new listing application of the Company by the Listing Committee, and consent of the Executive to the special deal.

d. Information on the Offeror, the Subscribers, and the Offeror's intention regarding the Group

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings, which is in turn held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury (Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings); (v) approximately 0.73% by Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Bryce Wayne Lee. Save for the entering into of the S&P Agreement, the CN Subscription Agreement and the Subscription Agreement, the Offeror did not engage in any business activities as at the Latest Practicable Date.

The Subscribers comprise the Offeror and 13 other entities and/or individual investors who, as stated in the letter from the Board in the Circular, are businessmen and investors that have financial resources and experience in investments.

Following S&P Completion and completion of the Transactions, the Group will be controlled by the Offeror and shall no longer be engaged in the existing hotel and restaurant business carried on through the Divestment Group. The Group will principally be engaged in a new business, namely, upstream oil exploration, development and production. The PRC Target is planning to move certain of its development works in Block 212 from development stage to commercial production. It has also engaged Hongjin Engineering for the exploration and development works in respect of Block 378.

Apart from the Acquisition, the Offeror will, following the completion of the Offer, conduct a detailed review of the operations and investment portfolio of the Restructured Group. As at the Latest Practicable Date, the Offeror was actively evaluating a number of acquisition opportunities, and except for the transactions contemplated under the Acquisition Agreement, the Offeror has confirmed that it and its associates currently have no concrete plans for any acquisition of assets and/or business by the Company.

Independent Shareholders should also refer to the other sections and appendices in the Circular for further details on the PRC Target and the Restructured Group.

2. Key terms of the Divestment Agreement

a. Subject matter

On 22 June 2015, the Company (as vendor) and Seller 1 (as purchaser) entered into the Divestment Agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016) pursuant to which, the Company has conditionally agreed to sell, and Seller 1 has conditionally agreed to purchase, (i) the Divestment Shares, being 100% of the issued and outstanding share capital of each of Target 1 and Target 2, (ii) the Current Accounts Receivable, being the aggregate amount of the net account receivables (a) owed by Target 1 and its subsidiaries to the Company and (b) owed by Target 2 to the Company and (iii) the ADS of SouFun (the "**SouFun ADS**") held by the Company. The Initial Consideration is approximately HK$1.6 million, which shall be subject to the adjustments as detailed in the sub-section below headed "Consideration for the Divestment".

We note that the Company's entire holdings in the abovementioned ADS of SouFun, a company listed on the New York Stock Exchange conducting real estate internet business in the PRC, being 125,000 SouFun ADS (representing 25,000 class A ordinary shares of SouFun) as of the date of the Divestment Agreement, will be transferred, at market price effective at the time of transfer, from the Company to Target 1.

b. Consideration for the Divestment

The Initial Consideration is approximately HK$1.6 million, which was agreed with reference to the aggregate value of (i) the unaudited amount of Current Accounts Receivable as at 31 March 2015 and (ii) the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015. The Initial Consideration shall be subject to the following adjustments:

(a) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate fair market value of the Real Properties set forth in the property valuation report in Appendix X to the Circular, minus (ii) the aggregate book value of the Real Properties (including any related leasehold improvement) as reflected in the Company's audited accounts for the financial year ended 31 March 2015 (being approximately HK$434.2 million); and

(b) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate net amount of the Current Accounts Receivable as of the date of the Divestment Completion, minus (ii) approximately HK$257.5 million, being the aggregate net amount of the Current Accounts Receivable as of 31 March 2015,

provided that, in any event, the minimum adjusted consideration for the Divestment shall be HK$1. The two adjustment items as described above will in effect adjust the consideration for the Divestment so as to take into account (i) the revaluation surplus/discount on the Real Properties over/to their book values, and (ii) movements of the net balance of the Current Accounts Receivable from 31 March 2015 to the date of the Divestment Completion.

The Divestment consideration shall be paid by Seller 1 to the Company by telegraphic transfer on the date of the Divestment Completion.

c. Conditions precedent

The Divestment Completion will be subject to certain conditions precedent (all of which are waivable by either the Company or Seller 1) as set out in the letter from the Board in the Circular, the main ones are as follows:

- the passing of resolutions by the Independent Shareholders at the SGM approving, among other things, the execution of the Divestment Agreement and consummation and completion of the Divestment and related transactions under the Divestment Agreement;

- each of the S&P Agreement and the Transaction Documents having been duly executed by the parties thereto and the transactions contemplated under the S&P Agreement and the Transaction Documents (including the Subscription, the Transfer, the Acquisition and the Divestment) being completed prior to or simultaneously at Divestment Completion;

- the Company, Seller 1 and the relevant members of the Divestment Group having entered into an assignment deed pursuant to which the Company shall assign to Seller 1, at Divestment Completion and for nil consideration, the rights and obligations of the Company with respect to all its rights to the entire net amount of the Current Accounts Receivable as of the date of the Divestment Completion; and

- all the shares of SouFun held by the Company as of the date of the Divestment Agreement having been transferred, at market price effective at the time of transfer, from the Company to Target 1.

As at the Latest Practicable Date, none of the above conditions had been fulfilled, the Company had no intention to waive any of the conditions it is entitled to waive, and the Company was not aware of any intention of Seller 1 to waive any of the conditions Seller 1 is entitled to waive. The Company will consider the seriousness and any adverse impact to the Group in respect of any condition which cannot be satisfied before it decides to waive any of the conditions that it is entitled to waive.

Details of the conditions precedent to the Divestment Completion are set out in the section headed "Letter from the Board — The Divestment Agreement" in this circular.

Divestment Completion shall take place on or before the 10th Business Day following the satisfaction or waiver of the conditions precedent (other than those conditions precedent that by their terms cannot be fulfilled until Divestment Completion) or on such other date as may be agreed in writing by the parties. The Divestment Completion is conditional on the S&P Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion. The Divestment Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion shall take place simultaneously.

3. Information on the Divestment Group

a. Background and business of the Divestment Group

The Divestment Group comprises Target 1 and Target 2, and their respective subsidiaries. In addition to wholly owning the Nanning Hotel and the Residential Units, Target 1 is interested in the Beihai Hotel and the Land Parcels through its approximately 26.7% equity interest in Pukai Xingye. The remaining 73.3% equity interest in Pukai Xingye is owned by 北京普凱世杰投資諮詢有限公司 (Beijing Pukai Shijie Investment Consultancy Company), which is beneficially owned as to 80.0% by Mr. Mo.

Target 2, through its 60.0% equity interest in 廣西普凱礦業科技有限公司 (Guangxi Pukai Mineral Technology Company Limited), a PRC incorporated company, was in the past engaged in sourcing mining assets for potential acquisitions and in this connection had conducted certain preliminary studies on a potential mining asset. As advised by the management of the Group, these activities ceased in July 2015 and Target 2 has since then not engaged in any business operation.

The Nanning Hotel

The Nanning Hotel is located in Nanning, Guangxi, the PRC. It is a 5-star hotel with 23 storeys and a basement which includes various meeting and function rooms, restaurants, tennis courts, a swimming pool, shops, car parks and other facilities. It has 346 rooms and a gross floor area ("**GFA**") of approximately 46,409.4 sqm.

Set out below are the historical, approximate average daily room rates ("**ADR**") and occupancy rates of the Nanning Hotel:

Financial year ended 31 March	**ADR** *(in HK$)*	**Occupancy rate**
2013	764	60.5%
2014	757	39.4%
2015	678	55.8%
Nine months ended 31 December	**ADR** *(in HK$)*	**Occupancy rate**
2014	692.1	56.9%
2015	655.7	59.6%

The operating environment of the Nanning Hotel has become more competitive in recent years, with ADRs having exhibited a downward trend, as advised by the Company, and that such decline was attributable to, amongst others, a slowdown in overall national economic growth and the further implementation of the anti-corruption campaign in the PRC.

Occupancy rate of the Nanning Hotel dropped significantly to 39.4% for the financial year ended 31 March 2014, which was mainly due to a renovation of certain parts of the hotel. While the occupancy rate increased again for the financial year ended 31 March 2015 and for the nine months ended 31 December 2015, it did not reach the occupancy rate level prior to the renovation, as China's economic slowdown continued in the financial year ended 31 March 2015 and the nine months ended 31 December 2015.

The Beihai Hotel

The Beihai Hotel is located in Beihai, Guangxi, the PRC. It is situated an approximately 40-minute drive away from Beihai Fucheng Airport. It is a 5-storey hotel with various conference and meeting rooms, a business centre, restaurants, car parks and other facilities. The Beihai Hotel has 192 hotel rooms and a GFA of approximately 48,759.9 sqm. The construction of the Beihai Hotel was completed in early 2013. It commenced trial operations in April 2013 and was put into full operation in April 2014.

Set out below are the historical, approximate ADR and occupancy rates of the Beihai Hotel:

Financial year ended 31 March	**ADR** *(in HK$)*	**Occupancy rate**
2014 *(Note)*	449	18.0%
2015	306	30.8%

Nine months ended 31 December	**ADR** *(in HK$)*	**Occupancy rate**
2014	321.6	30.1%
2015	280.2	45.7%

Note: The Beihai Hotel was in trial operation during the financial year ended 31 March 2014

The financial year ended 31 March 2014 reflects the first full year of trial operations for the Beihai Hotel, with a relatively low occupancy rate. Although the occupancy rate substantially increased in its first year of full operation for the financial year ended 31 March 2015 and further improved for the nine months ended 31 December 2015, the ADR was trending downward, principally as a result of keen hotel competition in the same district, and the various special promotions, discounts and packages offered to guests in order to promote the hotel.

Legal opinion in respect of the Land Parcels

As disclosed in the valuation report on the Real Properties in Appendix X to the Circular, the PRC legal advisors to the Company (the "**PRC Legal Advisor**"), Haiwen & Partners, has issued an opinion dated [●] in which it states that the Land Parcels are exposed to a resumption risk by relevant government authorities. According to the PRC Legal Advisors, the Group has obtained the relevant land use right certificates relating to the Land Parcels more than two years ago, and pursuant to the relevant PRC laws and regulations, the Land Parcels may be deemed to be idle land and may be recovered by the government without compensation in certain circumstances. As confirmed by the management of the Group, no notification has been issued by the relevant authority stating that the Land Parcels are identified as idle land. Upon completion of the Divestment Agreement, the Divestment Group will be disposed of by the Group to Seller 1, and will no longer hold any interest in the Land Parcels.

b. Financial information of the Divestment Group

The unaudited financial information of the Divestment Group has been reviewed by Shinewing in accordance with the Listing Rules, and has been reported on by Shinewing and the financial advisor to the Company in accordance with Rule 10 of the Takeovers Code. Set out below are the highlights of the combined financial results of the Divestment Group for the three years ended 31 March 2015 and the nine months ended 31 December 2014 and 2015, as extracted from Appendix V to the Circular:

	For the nine months ended 31 December		For the year ended 31 March		
	2015	**2014**	**2015**	**2014**	**2013**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	106,584	112,921	143,695	121,384	157,908
Cost of sales	(79,893)	(85,787)	(115,825)	(106,938)	(116,634)
Gross profit	26,691	27,134	27,870	14,446	41,274
Share of results of joint ventures	(3,992)	(3,777)	(5,258)	(4,923)	(333)
Loss for the period/year	(12,310)	(9,861)	(152,366)	(197,119)	(18,504)
Loss for the period/year attributable to owners of the Divestment Group	(12,222)	(8,950)	(151,452)	(196,644)	(17,922)

Revenue of the Divestment Group mainly represents room rental, food & beverage and other revenue of the Nanning Hotel.

For the three financial years ended 31 March 2013, 2014 and 2015

For the financial year ended 31 March 2014, the Divestment Group recorded revenue of approximately HK$121.4 million, representing a decrease of approximately 23.1% as compared to the previous financial year. As advised by the management of the Divestment Group, this decrease was mainly due to large scale renovation work carried out at the Nanning Hotel during this time, which led to a decreased occupancy rate and therefore decreased revenue. Following the completion of a majority of the renovation work during the year ended 31 March 2014, the revenue of the Nanning Hotel increased to approximately HK$143.7 million for the financial year ended 31 March 2015. However, the ADR and occupancy rate of the Nanning Hotel for the financial year ended 31 March 2015 were in general still lower than the previous levels.

The Divestment Group adopted the equity method to account for its share of results of joint ventures, which mainly arose from the Divestment Group's approximately 26.7% equity interest in Pukai Xingye. The share of results of joint ventures exhibited a downward trend from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, reflecting the worsening performance of the Beihai Hotel since the commencement of operations. According to the management of the Group, the loss-making situation was principally due to keen competition and the fact that the Beihai Hotel has only operated for a short period of time.

Loss attributable to the owners of the Divestment Group for the financial year ended 31 March 2014 increased significantly to approximately HK$197.1 million, mainly due to the litigation provisions of approximately HK$166.8 million in respect of the Legal Proceedings.

For the financial year ended 31 March 2015, the loss attributable to the owners of the Divestment Group amounted to approximately HK$151.5 million, largely due to the impairment of the carrying amount of the Nanning Hotel of approximately HK$120.9 million based on an independent valuation performed at the time.

For the nine months ended 31 December 2014 and 2015

For the nine months ended 31 December 2015, the Divestment Group recorded revenue of approximately HK$106.6 million, which represented a slight decrease compared to the same period in 2014. However, gross profit margin showed an improvement, principally due to the higher occupancy rate of the Nanning Hotel and cost control measures taken during the period.

Despite the improved gross profit margin, the higher share of loss from joint ventures (mainly represents the operation of the Beihai Hotel) and the higher finance costs led to the increased loss attributable to owners of the Divestment Group for the nine months ended 31 December 2015 compared to the same period last year.

Set out below is the summary of the combined assets and liabilities of the Divestment Group as at 31 March 2013, 2014, 2015 and 31 December 2015 respectively, as extracted from Appendix V to the Circular:

	As at 31 December	**As at 31 March**		
	2015	**2015**	**2014**	**2013**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	295,609	327,503	477,501	487,531
Interests in joint ventures	83,703	88,728	93,536	98,603
Total non-current assets	379,312	416,231	571,037	586,134
Bank balances and cash	27,294	14,603	40,032	28,835
Other current assets	15,232	13,418	13,047	16,131
Total current assets	42,526	28,021	53,079	44,966
Total assets	421,838	444,252	624,116	631,100
Provision for litigation	—	—	166,606	—
Interest-bearing bank borrowings	73,413	77,767	76,814	39,384
Amount due to holding company	256,710	257,513	255,435	255,223
Other current liabilities	106,238	100,799	105,558	79,787
Total current liabilities	436,361	436,079	604,413	374,394
Interest-bearing bank borrowings	113,402	120,128	157,999	197,547
Other non-current liabilities	143,076	148,941	10,921	10,572
Total non-current liabilities	256,478	269,069	168,920	208,119
Total liabilities	692,839	705,148	773,333	582,513
Net current liabilities	393,835	408,058	551,334	329,428
Net (liabilities)/assets	(271,001)	(260,896)	(149,217)	48,587
Net (liabilities)/assets attributable to the owners of the Divestment Group	(277,887)	(268,279)	(157,416)	39,904

As at 31 December 2015, the Divestment Group had total assets of approximately HK$421.8 million, which mainly comprised (i) the carrying amount of property, plant and equipment (mainly in respect of the Nanning Hotel and the Residential Units) of approximately HK$295.6 million, (ii) interests in joint ventures, which hold the Beihai Hotel and the Land Parcels, of approximately HK$83.7 million and (iii) bank balances and cash of approximately HK$27.3 million.

As at 31 December 2015, the Divestment Group had total liabilities of approximately HK$692.8 million, which mainly comprised (i) the amount due to holding company (i.e. the Company) of approximately HK$256.7 million, (ii) interest-bearing bank borrowings of approximately HK$186.8 million and (iii) amounts due to related companies, which are all ultimately held by Mr. Mo, of approximately HK$157.2 million.

As at 31 December 2015, the net liabilities attributable to owners of the Divestment Group amounted to approximately HK$277.9 million. The continued losses of the Divestment Group in the past three years, together with the significant capital deficiency as at 31 December 2015, indicate that the Divestment Group is in a worsening financial situation. The operation and financing of the Divestment Group relied heavily on the continuing financial support from the Company, related companies controlled by Mr. Mo and the principal banks of the Divestment Group. Due to the material uncertainty relating to the going concern basis, Shinewing has expressed a disclaimer of conclusion on their review report in respect of the unaudited financial information of Divestment Group for the nine months ended 31 December 2015.

c.　Prospects of the Divestment Group

As set out in the Company's interim report for the six months ended 30 September 2015, Company management believed that due to the slowdown of the overall national economic growth and the further implementation of the anti-corruption campaign, a much smaller revenue increase or even decrease in the hotel industry was observed in 2014 and is anticipated to continue. It is also stated that the management team will put in additional efforts to alleviate the negative impacts. We note that the Valuer (as defined in the sub-section headed "Principal Factors and Reasons Considered — 4. Valuation of the Real Properties" in this letter) anticipated a lower ADR growth rate in first three years when forecasting the future cash flows of the Nanning Hotel when compared to the higher stabilised growth rate, as detailed in sub-section headed "Principal Factors and Reasons Considered — 4. Valuation of the Real Properties" in this letter, indicating that it considers the ADR growth rates to be initially lower than the long term trend. In addition, statistics from the website of the China National Tourism Administration have shown that there have been no substantial fluctuations in the ADR and occupancy rates since the beginning of 2014, indicating that the hotel industry performance in the Guangxi Zhuang Autonomous Region (where the Divestment Group's hotel properties are located) remained flat or slightly deteriorated in general. The ADR of hotels with a star rating in the Guangxi Zhuang Autonomous Region in 2015 has slightly decreased by approximately 1.8% (compared to the previous year) to approximately RMB190.4. The average occupancy rate has slightly increased by approximately 0.1% to approximately 55.0% in 2015. We consider the most recently available ADR and occupancy rate figures could offer a more meaningful picture of the most up to date status of the hotel industry in the Guangxi Zhuang Autonomous Region, and concluded that there are no clear and visible signs of recovery or improvement.

In addition, as confirmed by management of the Group, there was no approved development plan for the Land Parcels and there were no ongoing discussions or agreements reached on any potential new business developments of Target 2, as at the Latest Practicable Date.

According to Company management and as stated in the Company's interim report for the six months ended 30 September 2015, the Divestment Group has faced and is expected to continue to face for the foreseeable future considerable headwind as regards to its hotel business, given the unstable economic outlook in the PRC and government spending policies, as well as challenges relating to increasing operational costs, leading to uncertainty as to future performance of the Divestment Group. Based on the above opinion from the management, the gradual slowdown of the PRC economy growth in terms of the downward trend in the growth of gross domestic products, and our research statistics above specifically in the hotel industry in Guangxi Zhuang Autonomous Region which showed no obvious signs of growth, we concur with the Company management regarding the uncertainty of the future performance of the Divestment Group.

4. Valuation of the Real Properties

The Real Properties held by the Divestment Group have been valued by LCH (Asia Pacific) Surveyors Limited (the "**Valuer**"). The full text of the summary valuation report with property certificates for their respective market values in existing states as at 29 February 2016 (the "**Valuation Report**") are set out in Appendix X to the Circular.

Set out below is a summary of the valuations of the Real Properties as at 29 February 2016 (the "**Valuations**"), as extracted from the Valuation Report:

Property	**Valuation in its existing state** *(in RMB million)*	**The Divestment Group's ownership interest in the property**	**Valuation in its existing state attributable to the Divestment Group** *(in RMB million)*
Nanning Hotel	251.0	100.0%	251.0
Beihai Hotel	243.3	26.7%	65.0
Land Parcels	79.8	26.7%	21.3
Residential Units in Ruishi Garden	3.1	100.0%	3.1
Residential Units in Minghu Garden	5.2	100.0%	5.2
Total	**582.4**		**345.6**

Set out below are details of the valuation approaches adopted by the Valuer for each of the Real Properties:

The Nanning Hotel

The Nanning Hotel was valued by reference to the income approach, which takes into account the present worth of the future economic benefits to be received over the useful life of the property. We consider income approach to be a common valuation approach when valuing hotel properties. A discounted cash flow model (the "**DCF Model**") has been developed, which involves discounting future cash flow on a yearly basis, until the end of the land use term (the "**Evaluation Period**"), to its present value at a rate reflecting risk to derive a market value.

The Beihai Hotel

The income approach is of limited relevance for the valuation of the Beihai Hotel, as it has historically operated with a net cash outflow, and Company management has not been able to ascertain the timing of a positive turnaround. The Valuer has therefore adopted the sales comparison approach, making reference to comparable transactions and then adjusting them to reflect the difference between the comparables and the subject property.

As the construction of the Beihai Hotel was completed in early 2013 and it has been less than 3 years since its completion to the valuation date, the Valuer has also adopted the cost approach to achieve a more balanced perspective on the market value of the Beihai Hotel.

The Land Parcels

The Land Parcels comprise two parcels of land near the Beihai Hotel, with a total site area of approximately 29,790.3 sqm. The Valuer has adopted the sales comparison approach to assess the market value with reference to comparable bare land transactions that the Valuer has identified, with adjustments to reflect the differences between the comparables and the subject land parcels.

The Residential Units

The 9 Residential Units in Ruishi Garden are currently being used for rental income purpose, and the Valuer has adopted the investment method of the income approach, which takes into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the property interests. For the 10 Residential Units in Minghu Garden, which are currently being used for staff accommodation purpose, the Valuer has adopted the sales comparison approach by making reference to comparable transactions or offerings in the vicinity of the relevant Residential Units, with adjustments to reflect the differences between the comparables and the subject units.

Having taken into account the above, we consider the adoption of the relevant valuation methodologies adopted by the Valuer in the Valuations to be reasonable and consider them to be commonly used ones for establishing the market value of the Real Properties.

Specific valuation bases and assumptions for the Nanning Hotel and the Beihai Hotel

As the combined valuation of Nanning Hotel and the Beihai Hotel attributable to the Group of approximately RMB316.0 million represents over 90% of the total valuation attributable to the Group of approximately RMB345.6 million, we further analyse below the major bases and assumptions of the valuations of the Nanning Hotel and the Beihai Hotel:

The Nanning Hotel

In arriving at the market value of the Nanning Hotel based on the DCF Model, the Valuer has adopted various bases and assumptions relying on its professional judgment, to arrive at the projection of future cash inflows (e.g. cash income based on certain levels of ADR and occupancy rate) and cash outflows (e.g. rooms and apartments, food and beverage costs) of the Nanning Hotel during the Evaluation Period. The projected future cash flows have been arrived at by making reference to the historical operational data of the Nanning Hotel and adjusting it for anticipated future growth. In particular, the assumed ADR for the year ending 28 February 2017 is approximately RMB542 (or approximately HK$678), with reference to ADR of the Nanning Hotel for the financial year ended 31 March 2015, and is expected to grow at 2.0% per annum (which is reference to the 2011 to 2015 average annual ADR growth rate of 5-star hotels in Nanning City, as published by the China National Tourism Administration) for the years ending 28 February 2018 and 2019, and is then subsequently expected to stabilise at an annual growth of 3.0% for the remainder of the Evaluation Period. According to our research, the

10-year consumer price index in the PRC between 2006 and 2015, as disclosed on the website of the National Bureau of Statistics of China, represents an average annual growth rate of approximately 2.9%, which is close to the stabilised growth rate of 3.0% as adopted by the Valuer. The assumed occupancy rate is based on the actual occupancy rate for the year ended 31 March 2015, which will remain stable throughout the Evaluation Period. According to the Valuer, the discount rate used in the DCF Model of 10.0% falls within the normal range of discount rates adopted for similar hotel properties by the Valuer, which we consider reasonable.

The Beihai Hotel

In arriving at the market value of the Beihai Hotel using the sales comparison approach, the Valuer has collected and analysed comparable hotel transactions. Adjustments to the comparable hotel transactions were made to facilitate comparability. We were informed by the Valuer that there is an unused portion of the land parcel where the Beihai Hotel is erected, which relates to certain unused GFAs as permitted under the state owned land use right certificate of the Beihai Hotel (the "**Unused GFAs**"). In valuing the Beihai Hotel, the Valuer has also taken into consideration the Unused GFAs, which were valued with reference to comparable bare land transactions with the same land usage in Beihai City.

As mentioned above, the Valuer has also made reference to the cost approach. Under the cost approach, the Valuer assessed (i) the relevant land parcel portion with reference to the comparable bare land transactions, and (ii) the hotel building portion with reference to the construction costs of a hotel with similar features, with a discount for depreciation. The Valuer adopted equal weighting to both the sales comparison approach and the cost approach in arriving at the valuation of the Beihai Hotel.

We have visited the Real Properties, reviewed the Valuation Report, the underlying calculation bases to arrive at the Valuations, and discussed with the Valuer the methodologies of, and bases and assumptions adopted for, the Valuations. We note that the Valuer has also carried out physical inspections of the Real Properties and made relevant enquiries in the context of the Valuations. We have also performed work as required under note (1)(d) to Listing Rule 13.80 in relation to the Valuer, including interviewing the Valuer as to its experience and qualification, we have also reviewed its terms of engagement and discussed with the Valuer its work performed as regards the Valuations.

5. Evaluation of the consideration

a. Initial Consideration

The Initial Consideration is approximately HK$1.6 million. As set out in the section headed "Letter from the Board — The Divestment Agreement" in this circular, the Initial Consideration was calculated based on the unaudited management accounts of the Divestment Group as of 31 March 2015 before the management accounts were reviewed by the Company's auditors. Although such amount was agreed with reference to aggregate value of (i) the unaudited amount of Current Accounts Receivable as at 31 March 2015 and (ii) the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015, the Initial Consideration is in fact approximately HK$12.4 million higher than such aggregate value, calculated as follows:

		HK$ million
Initial Consideration	**A**	1.6
Current Accounts Receivable as at 31 March 2015		257.5
Less: Unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015, as extracted from Appendix V to the Circular		(268.3)
	B	(10.8)
Difference	**A-B**	12.4

As shown above, the Initial Consideration is approximately HK$12.4 million higher than the aggregate value of the Current Accounts Receivable and the combined net liabilities of the Divestment Group attributable to its owners as at 31 March 2015. In the hypothetical scenario where the consideration of the Divestment is determined strictly based on such aggregate value, the consideration would be a negative figure. Further, we understand from the Company that the difference between the net liabilities of the Divestment Group as per the unaudited management accounts and the reviewed accounts of about HK$12.4 million represents mainly the provision of losses made in respect of the Divestment Group's investment in joint venture companies as at 31 March 2015 which is not reflected in the unaudited management accounts used by the Company in calculating the Initial Consideration. We consider such premium of HK$12.4 million in setting the Initial Consideration to be beneficial to the Independent Shareholders.

b. Adjustment Amount

As described in the sub-section headed "Principal Factors and Reasons Considered — 2. Key Terms of the Divestment Agreement — b. Consideration for the Divestment" in this letter, the Initial Consideration of approximately HK$1.6 million is subject to adjustments on (i) the revaluation surplus/discount on the Real Properties over/to their book values, and (ii) movements of the net balance of the Current Accounts Receivable from 31 March 2015 to the date of the Divestment Completion. In addition, a condition precedent to Divestment Completion is that all the SouFun ADS held by the Company as of the date of the Divestment Agreement had been transferred from the Company to Target 1. The SouFun ADS will be transferred to Target 1 at market price, and will be settled by Target 1 by way of a corresponding increase in Current Accounts Receivable or by way of a cash payment to the Company, prior to or upon Divestment Completion, as confirmed by the Company.

Except for the movement of the net balance of Current Accounts Receivable which could only be determined as at the date of the Divestment Completion, and assuming the market price of the SouFun ADS as at the Latest Practicable Date is used, the approximate adjustment to the Initial Consideration can be calculated as follows:

		HK$ million
The aggregate fair market value of the Real Properties *(Note 1)*	**A**	421.6
Less: the aggregate book value of the Real Properties *(Note 2)*	**B**	434.2
	C = A – B	(12.6)
Market value of the SouFun ADS held by the Company as at the Latest Practicable Date *(Note 3)*	**D**	5.6
Adjustment Amount, without taking into account further movement of the net balance of the Current Accounts Receivable	**C + D**	(7.0)

Notes:

(1) Representing the aggregate fair market value of the Real Properties attributable to the Group of approximately RMB345.6 million as at 29 February 2016, translated into HK$ at an exchange rate of RMB1.00 = HK$1.22

(2) Representing the aggregate book value of the Real Properties (including any related leasehold improvement) as reflected in the Company's audited accounts for the financial year ended 31 March 2015. As confirmed with the Company, there has been no addition or disposal of the Real Properties from 31 March 2015 to 29 February 2016, the valuation date

(3) Representing the market value of the SouFun ADS of US$5.75 per share as extracted from Bloomberg, multiplied by the 125,000 SouFun ADS held by the Group, and translated into HK$ at an exchange rate of US$1.00 = HK$7.75. The adjustment assumes the transfer of SouFun ADS will be settled by way of a corresponding increase in the Current Accounts Receivable

The above calculation effectively adjusts the consideration for the Divestment to reflect the aggregate fair value of the Real Properties as at 29 February 2016 as set out in the Valuation Report and the transfer of the SouFun ADS. Details of our analysis on the Valuation Report is set out in the sub-section headed "Principal Factors and Reasons Considered — 4. Valuation of the Real Properties" in this letter. As the Adjustment Amount of approximately negative HK$7.0 million is higher than the Initial Consideration of HK$1.6 million, the adjusted consideration for the Divestment would be $1 under the above scenario.

As disclosed in the sub-section headed "Principal Factors and Reasons Considered — 3. Information on the Divestment Group — Financial Information of the Divestment Group" in this letter, the Divestment Group has been loss making in recent years, with a net liabilities position of approximately HK$265.0 million as at 30 September 2015. The operation and financing of the Divestment Group relied heavily on the continuing financial support from the Company, the principal banks of the Divestment Group and related companies held by Mr. Mo. Due to the material uncertainty relating to the going concern basis, the auditors of the Company have expressed a disclaimer of conclusion on their review report in respect of the unaudited financial information of Divestment Group for the six months ended 30 September 2015. Should the Divestment Group remain with the Group, and in the event that the Divestment Group would not be able to meet its financial obligation and run into financial difficulties in the future, the Company, not only being a shareholder but also a creditor of the Divestment Group (to the amount of approximately HK$256.8 million, as at 30 September 2015), may also suffer from the effect of any deferral or default in payment from the Divestment Group.

Given that (i) the Initial Consideration takes into account that the latest available financial position of the Divestment Group when the Divestment Agreement was entered into, and that the HK$12.4 million premium in setting the Initial Consideration is beneficial to the Independent Shareholders, (ii) the Adjustment Amount reflects the aggregate fair value of the Real Properties, as set out in the Valuation Report, (iii) the Adjustment Amount also takes into account the effective divestment of the SouFun ADS at market value, and any further movements of the net balance of the Current Accounts Receivable before and up to Divestment Completion, (iv) the Divestment Group being loss making for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2014 and 2015, with a net liabilities position as at 30 September 2015, and the operation and financing of the Divestment Group having relied heavily on the continuing financial support from the Company, the principal banks of the Divestment Group and related companies held by Mr. Mo, (v) Target 2 and it subsidiaries not conducting any business operations, and (vi) the limited prospects of the Divestment

Group in general, as summarised in the sub-section headed "Principal Factors and Reasons Considered — 3. Information on the Divestment Group" in this letter, we consider the consideration for the Divestment to be fair and reasonable.

6. Financial effects of the Divestment

Following the Divestment Completion, Target 1 and Target 2 will cease to be subsidiaries of the Company. As such, the operating results and the financial position of the Divestment Group will no longer be consolidated into the financial statements of the Group following the Divestment Completion. As the Divestment Completion would not occur without the Acquisition Completion, the Group will, following the Divestment, enter into a new principal business though the Acquisition, namely, upstream oil exploration, development and production.

The analyses on the financial effects below reference the unaudited pro forma financial information of the Restructured Group in Appendix VI to the Circular, which has included the financial effects of the Transfer and other elements of the Transactions and has been prepared for illustrative purpose only based on certain assumptions as set out therein. For example, it assumes the consideration of the Divestment to be the Initial Consideration of approximately HK$1.6 million, whereas the final consideration is subject to the Adjustment Amount. The actual financial effects of the Divestment to the Group can only be determined upon Divestment Completion.

Please note that sub-sections (a) to (c) below make reference to the pro forma financial effects of the Divestment only, as exhibited in the relevant adjustment columns, while sub-section (d) analyses the overall financial effects of the Transfer and the Transactions.

a. Earnings

The Group's current principal, loss making business, being the hotel and restaurant operations in the PRC, will have been divested after the Divestment Completion.

As set out in note 2 to the unaudited pro forma financial information of the Restructured Group, based on the pro forma adjustments in relation to the Divestment, had the Divestment completed on 30 September 2015, the estimated gain from the Divestment would be approximately HK$42.2 million, calculated based on the Initial Consideration, the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group, the unaudited aggregate amount of the Current Accounts Receivable due from the Divestment Group, and the exchange fluctuation reserve relating to the Divestment Group.

b. Net asset value

As at 30 September 2015, capital deficiency attributable to owners of the Company was approximately HK$121.3 million. As set out in the unaudited pro forma financial information of the Restructured Group, based on the pro forma adjustments in relation to the Divestment, the net liability position of the Restructured Group attributable to owners of the Company would decrease by approximately HK$16.8 million as a result of the Divestment Completion (excluding the effect of relevant transaction-related costs).

c. Working capital

As at 30 September 2015, the Group had bank balances and cash of approximately HK$1.2 million. As set out in the unaudited pro forma financial information of the Restructured Group, based on the pro forma adjustments in relation to the Divestment, the bank balances and cash of the Restructured Group would increase by approximately HK$7.7 million, as a result of the Initial Consideration and proceeds from disposal of the SouFun ADS to be received by the Group.

d. Financial effects of the Transfer and the Transactions

Upon completion of the Transfer and the Transactions, the operating assets and liabilities of the Restructured Group will principally represent those of the PRC Target. For the financial year ended 31 March 2015, the Group recorded a loss of approximately HK$234.9 million, whereas the Restructured Group would record a loss of approximately HK$523.4 million according to the unaudited pro forma financial information. The significant loss on the pro forma basis is principally due to the recognition of estimated listing expenses of approximately HK$278.3 million which are one-off notional accounting expenses recognised. Upon completion of the Transactions, it is also expected that the original net liability position of the Group would turn into a net asset position of approximately HK$2,212.8 million, principally as a result of the Subscription, which will enlarge the equity base of the Restructured Group.

As regards working capital, the bank balances and cash of the Restructured Group is expected to be increased to approximately HK$283.1 million due to the significant cash injection as a result of the partial receipt of subscription monies for the Subscription, offset by payment of the consideration for the Acquisition and taking into account transaction costs.

OPINION AND RECOMMENDATION

In summary, in reaching our opinion and recommendation, we have considered the above principal factors and reasons, in particular:

- the Divestment Group's unsatisfactory operating results in recent years, its net liability position and the fact that the operation and financing of the Divestment Group relied heavily on the continuing financial support from the Company, related companies controlled by Mr. Mo and the principal banks of the Divestment Group;

- the Divestment Group's limited prospects in the next two or three years, given the uncertainty as to future performance;

- the Initial Consideration representing a premium over the sum of the net liabilities of the Divestment Group and the amounts owed by the Divestment Group to the Company; and

- the Adjustment Amount to be determined upon Divestment Completion taking into account (i) the valuations of the Real Properties and as such reflecting the fair value of the Divestment Group's property interests, (ii) the disposal of the SouFun ADS at market value, and (iii) any other movement of the Current Accounts Receivable up to the date of Divestment Completion.

Having taken into account the principal factors and reasons set out in our letter, we consider that the Divestment is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the entering into of the Divestment Agreement, while not in the ordinary and usual course of business of the Company because of its "one off" nature, is nevertheless in the interest of the Company and the Shareholders as a whole. We therefore recommend, and advise the Independent Board Committee to recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Divestment.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine — *Chairman*
John Wong — *Director*

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over seven years of experience in the corporate finance industry.