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JOY TOWN INC.

*(Incorporated in the British Virgin Islands
with limited liability)*

Heng Fai Enterprises Limited

恒輝企業控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

JOINT ANNOUNCEMENT

- (1) SALE AND PURCHASE OF 55.02% SHARES IN HENG FAI ENTERPRISES LIMITED**
- (2) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY ALLIANCE CAPITAL PARTNERS LIMITED FOR AND ON BEHALF OF JOY TOWN INC. TO ACQUIRE ALL THE ISSUED SHARES OF HENG FAI ENTERPRISES LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY JOY TOWN INC. AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF ALL OUTSTANDING OPTIONS AND**
- (3) RESUMPTION OF TRADING IN THE SHARES OF HENG FAI ENTERPRISES LIMITED**

Financial Adviser to Joy Town Inc.



Alliance Capital Partners Limited
同人融資有限公司

THE SHARE PURCHASE AGREEMENT

Reference is made to the Company's announcement dated 10 April 2015 pursuant to Rule 3.7 of the Takeovers Code. The Company was informed by the Vendors (being the Controlling Shareholders) that on 25 April 2015, the Vendors, the Guarantor and the Offeror entered into the Share Purchase Agreement pursuant to which the Offeror has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, being 2,212,547,776 Shares (comprising initially 1,307,393,949 Shares by the First Vendor, 651,243,201 Shares by the Second Vendor and 253,910,626 Shares by the Third Vendor), for a total Consideration of HK\$731,247,040, equivalent to HK\$0.3305 per Sale Share. The Sale Shares represent 55.02% of the entire issued share capital of the Company of 4,021,222,889 Shares as at the date of this joint announcement.

Share Sale Completion is conditional upon the conditions described in the section headed "*Conditions*" of this joint announcement and will take place on the third Business Day after the fulfillment (or, if applicable, waiver) of the Conditions (or such other date as the parties to the Share Purchase Agreement may agree in writing).

POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in any Shares, options, warrants, derivatives, or any other securities of the Company, other than the interest in Shares under the Share Purchase Agreement.

Immediately after Share Sale Completion, the Offeror and parties acting in concert with it will own a total of 2,212,547,776 Shares, representing 55.02% of the entire issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make the Share Offer for all the issued Shares which are not owned or have been agreed to be acquired by the Offeror and parties acting in concert with it, and the Option Offer for the cancellation of all outstanding Options. The Offers comprising the Share Offer and the Option Offer, if and when made, will be unconditional in all respects.

Alliance Capital will make the Offers on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.3305 in cash
For cancellation of each Option HK\$0.2177 in cash

The Share Offer Price of HK\$0.3305 per Offer Share equals the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Option Offer Price of HK\$0.2177 for cancellation of each outstanding Option represents the difference between the Share Offer Price and the exercise price of each Option granted as required under Rule 13 of the Takeovers Code.

Principal terms of the Offers are set out under the paragraphs headed "*Possible Unconditional Mandatory Cash Offer*" of this joint announcement.

SUFFICIENCY OF RESOURCES

Alliance Capital has been appointed as the Financial Adviser to the Offeror in respect of the Offers and is satisfied that sufficient financial resources are available to the Offeror to complete the Sale Purchase Agreement and to satisfy full acceptance of:

- (1) all the issued Shares subject to the Offers, including any new Shares to be issued pursuant to any exercise of the Options other than (i) those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) those remaining Shares owned by the Guarantor and Vendors who have given irrevocable undertaking not to tender their Shares in the Offers; and
- (2) the cancellation of all outstanding Options.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Offers. Further announcement will be made upon the appointment of the independent financial adviser to the Independent Board Committee.

GENERAL

It is the intention of the Offeror and the Board to combine the offers document and the offeree board circular into a Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, within 21 days of the date of this joint announcement or such later date as the Executive may approve, the Composite Document is required to be despatched to the Shareholders and the optionholders.

As there is a pre-condition (that is, the Share Sale Completion) to the making of the Offers, if the Vendors and the Purchaser are unable to complete the Sale and Purchase Agreement and despatch the Composite Document within 21 days under Rule 8.2 of the Takeovers Code an application will be made by the Offeror and the Company for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within 7 days from the Completion Date. The Composite Document will set out, among other matters, the Offers, a letter of advice from the Independent Board Committee in relation to the Offers and a letter of advice from the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offers.

Warning: Completion of the Share Purchase Agreement and the Offers is a possibility only. The Offers will only be made if the Share Purchase Agreement is completed. The Share Sale Completion is conditional upon the fulfillment of the Conditions referred to in the section headed "Conditions" of this joint announcement. Accordingly, the Offers may or may not be made. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

RESUMPTION OF TRADING

Pending the release of this joint announcement, trading in the Shares on the Stock Exchange was halted with effect from 9:00 am on 27 April 2015 at the request of the Company. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 am on 7 May 2015.

Reference is made to the Company's announcement dated 10 April 2015 pursuant to Rule 3.7 of the Takeovers Code. The Company was informed by the Vendors (being the Controlling Shareholders) that on 25 April 2015, the Vendors, the Guarantor and the Offeror entered into the Share Purchase Agreement, the principal terms of which are summarised below.

THE SHARE PURCHASE AGREEMENT

Date

25 April 2015

Parties

- Vendors:
- (a) Heng Fai Holdings Limited, being the First Vendor, is beneficially interested in 1,638,071,385 Shares as at the date of this joint announcement, representing 40.74% of the entire issued share capital of the Company.
 - (b) Prime Star Group Co., Ltd., being the Second Vendor, is beneficially interested in 651,243,201 Shares as at the date of this joint announcement, representing 16.20% of the entire issued share capital of the Company.
 - (c) Ms. Chan Yoke Keow, being the Third Vendor, is beneficially interested in 253,910,626 Shares as at the date of this joint announcement, representing 6.31% of the entire issued share capital of the Company.

The Vendors are, together, beneficially interested in 2,534,225,212 Shares in aggregate as at the date of this joint announcement, representing 63.25% of the entire issued share capital of the Company.

Offeror: Joy Town Inc. (a company incorporated in the BVI with limited liability)

To the best of the Directors' information and belief having made all reasonable enquiries, the Offeror and its ultimate beneficial owner are third parties independent of the Company and its connected persons and not a party acting in concert with any of them or the Vendors.

Guarantor of the Vendors: Mr. Chan Heng Fai, being the sole beneficial owner of the First Vendor, has agreed to guarantee the due and punctual performance by the First Vendor, the Second Vendor and the Third Vendor of their obligations under the Share Purchase Agreement.

Sale Shares

Pursuant to the terms of the Share Purchase Agreement, the Offeror has agreed to acquire, and the Vendors have agreed to sell, and the Guarantor has agreed to procure the sale by the Vendors of, their respective Sale Shares (comprising initially 1,307,393,949 Shares by the First Vendor, 651,243,201 Shares by the Second Vendor, and 253,910,626 Shares by the Third Vendor, representing 32.51%, 16.20% and 6.31% of the entire issued share capital of the Company as at the date of this joint announcement respectively) free from all Encumbrances or third party rights of whatsoever nature and with all rights attaching to them with effect from Share Sale Completion.

The Vendors shall be entitled to vary the number of Sale Shares to be sold by each Vendor provided that the total number of Sale Shares in the Company to be sold by the Vendors to the Purchaser remains the same, namely 2,212,547,776 Shares, and the total consideration remains the same, namely HK\$731,247,040 and if there is any variance, the consideration payable to each Vendor and the number of Sale Shares to be sold by each Vendor shall be adjusted accordingly.

The Sale Shares represent 55.02% of the entire issued share capital of the Company as at the date of this joint announcement.

The Offeror is not obliged to purchase and none of the Vendors is obliged to sell any of the Sale Shares unless the sale and purchase of all the Sale Shares are completed simultaneously at Share Sale Completion.

Consideration

The Consideration for the Sale Shares is HK\$731,247,040, equivalent to HK\$0.3305 per Sale Share.

The Consideration was determined after arm's length negotiations between the Offeror and the Vendors, after taking into consideration (i) the latest available unaudited net asset value of the Group as of 28 February 2015; (ii) the financial position of the Group; (iii) the prevailing market prices of the Shares as further described in the section headed "Offer Price" below; (iv) the fact that the Offeror can obtain a controlling interest in the Company after the Share Sale Completion; and (v) development potential and business prospects of the Group.

Manner of payment of the Consideration

The Consideration is payable by the Offeror to the Vendors in the following manner:

- (i) upon signing of the Share Purchase Agreement, a deposit (the "**Deposit**") in the aggregate sum of HK\$10,000,000, representing approximately 1.37% of the Consideration, was held in escrow (as to HK\$6,000,000 to the First Vendor, HK\$3,000,000 to the Second Vendor and HK\$1,000,000 to the Third Vendor); and

- (ii) subject to Share Sale Completion taking place, the aggregate sum of HK\$721,247,040, representing the balance of the Consideration, will be payable to the Vendors (as to HK\$426,093,700 to the First Vendor, HK\$212,235,878 to the Second Vendor and HK\$82,917,462 to the Third Vendor) at Share Sale Completion.

The treatment of the Deposit (including the refund or the forfeiture of it) is more particularly described in the paragraph headed “Conditions” of this announcement below.

Warranties and Indemnities

The Vendors have given Warranties to the Offeror which are customary in the circumstances, in respect of (among other things) the legal status, financial conditions, business, operations and assets in relation to the Group.

No claim may be brought against the Vendors and Guarantor in respect of a breach of any of the Warranties after 30 June 2016 (the “**Warranty Expiry Date**”) and neither of the Vendors and the Guarantor will be liable in respect of a breach of any of the Warranties unless they have received written notice from the Offeror prior to the Warranty Expiry Date giving full details of the relevant claim.

The maximum liability of the First Vendor in respect of the aggregate of all claims by the Offeror shall not exceed HK\$129,628,110. The maximum liability of the Second Vendor in respect of the aggregate of all claims by the Offeror shall not exceed HK\$64,570,763. The maximum liability of the Third Vendor in respect of the aggregate of all claims by the Offeror shall not exceed HK\$25,175,239. Save for certain claims, the maximum liability of the Guarantor in respect of the aggregate of all claims by the Offeror shall not exceed HK\$219,374,112.

The Guarantor shall bear all responsibility and liability in relation to the obligations of the Second Vendor and the Third Vendor. The Offeror will not seek recourse from the Second Vendor and the Third Vendor under the Share Purchase Agreement.

Conditions

Share Sale Completion is subject to the following Conditions being fulfilled and remaining satisfied (or being waived in accordance with the provisions in the Share Purchase Agreement) on or before the Long Stop Date:

- (a) there having been no material breach of the Warranties by the Vendors, or if there has been a material breach of the Warranties by the Vendors such breach having been remedied by the Vendors within 7 Business Days of the Offeror first notifying the Vendors of a claim, “material” as referred to in this Condition (a) shall mean any breach which gives rise to a liability which exceeds HK\$500,000;
- (b) certain necessary waivers and/or consents under any existing material contract, loan, credit or similar facilities entered into or provided to the Group required to be obtained to avoid any breach of covenant arising from a change of control of the borrower having been obtained and such waiver and/or consents remaining in full force and effect;

- (c) there having been no material breach by the Vendors of the following pre-completion obligations pursuant to the Share Purchase Agreement:
- (1) the Vendors shall take all actions within their power to procure that during the period from the date of the Share Purchase Agreement to Share Sale Completion, there shall not be (i) a material change to the portfolio (and, for the avoidance of doubt, not the value of the portfolio) of the item “financial assets at fair value through profit or loss held by the Group” as at the date of Share Purchase Agreement; and (ii) as at Share Sale Completion the cash balance of the Group shall not fall below HK\$50,000,000 as a whole unless with the consent of the Purchaser. Notwithstanding the foregoing, no Group Company shall declare, pay or make a dividend or other distribution of capital before the Share Sale Completion;
 - (2) so far as permitted by applicable law, the Guarantor and the Vendors shall consult, and shall cause all Group Companies to consult, with the Purchaser, before taking any action or making any commitment (or extinguishing liabilities) between the date of the Share Purchase Agreement to Share Sale Completion which exceeds the monetary value of HK\$500,000 for a single transaction or of HK\$1,000,000 for a series of the same transaction save for the payment of any indebtedness as it falls due or any other usual day-to-day activities of any of the Group Companies; and
 - (3) so far as permitted by applicable law, the Vendors shall take all actions within their power to procure that during the period from the date of the Share Purchase Agreement to Share Sale Completion, the Company shall consult, and shall cause all Group Companies to consult, with the Purchaser, before the execution by any of the Group Companies of any new material contract with any party except those carried out in the normal course of its business.
- (d) the Listing of the Shares on the Main Board not having been cancelled or withdrawn on or before the Completion Date; and
- (e) trading in the Shares on the Stock Exchange not having been suspended for a period of more than 10 consecutive business days (as defined in the Listing Rules) save for any temporary suspension of trading in the Shares pending release of any announcement or document in connection with the transactions contemplated under the Share Purchase Agreement or the general offer arising from the implementation of the transactions contemplated thereunder as required under the Listing Rules and/or the Takeovers Code.

The Offeror may at its absolute discretion at any time waive in writing the Conditions (a) to (e) above.

As at the date of this joint announcement, the Conditions are yet to be fulfilled or (as the case may be) waived.

If one or more of the Conditions (a) to (e) above remains unsatisfied as at the Long Stop Date and has not been waived by the Offeror on or before that date, or becomes impossible to satisfy before the Long Stop Date and, if it is a condition which can be waived by a party, has not been waived within three Business Days of such condition becoming impossible to satisfy, the Share Purchase Agreement, other than certain surviving provision, shall automatically terminate with immediate effect and each Party's rights and obligations other than those specified above shall cease immediately on termination. Such termination shall not affect the rights and obligations of any Party existing before termination.

If all the Conditions have been satisfied but the Vendors intentionally fail to complete the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, the Deposit will be returned to the Offeror and the Vendors will pay the Offeror liquidated damages in an amount equal to the Deposit (the "**Liquidated Damages**"). Upon payment of the Liquidated Damages, the obligation to complete the sale and purchase of the Sale Shares under the Share Purchase Agreement will automatically terminate and no party will have any further obligations, rights to seek specific performance or other rights or liabilities against the other party under the Share Purchase Agreement.

If the Offeror fails to proceed to Share Sale Completion upon fulfillment of all the Conditions, the Deposit shall be transferred to and forfeited by the Vendors.

Undertaking from the Guarantor and the Vendors

Each of the Guarantor and the Vendors irrevocably undertakes to the Offeror that it will not tender any of its remaining Shares to the Share Offer, namely 71,042,730 Shares for the Guarantor and 330,677,436 Shares for the First Vendor respectively. There is no remaining Shares of Second Vendor and Third Vendor. Each of the Guarantor and the Vendors further undertakes to the Offeror that it will not sell, dispose, transfer, pledge, mortgage or otherwise deal in its remaining Shares during the Offer Period.

Each of the Guarantor and the Vendors further undertakes to the Offeror that, for a period of 12 months from the Completion Date, none of them (and their associates) will become a connected person of the Company as defined under the Listing Rules.

Completion

Share Sale Completion will take place on the third Business Day after the fulfillment (or, if applicable, waiver) of the Conditions (or such other date as the parties to the Share Purchase Agreement may agree in writing).

POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in any Shares, other than the interest in Shares under the Share Purchase Agreement.

Immediately after Share Sale Completion, the Offeror and parties acting in concert with it will own a total of 2,212,547,776 Shares, representing 55.02% of the entire issued share capital of the Company. Accordingly, the Offeror will be required to make an unconditional mandatory

cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares which are not owned or have been agreed to be acquired by the Offeror and parties acting in concert with it, and to cancel all outstanding Options. The Offers comprising the Share Offer and the Option Offer, if and when made will be unconditional in all respects.

Warning: Completion of the Share Purchase Agreement and the Offers is a possibility only.

The Offers will only be made if the Share Purchase Agreement is completed. Share Sale Completion is conditional upon the fulfillment of the Conditions referred to in the section headed “Conditions” of this joint announcement. Accordingly, the Offers may or may not be made. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

The Offers, if made, will be on the terms mentioned below.

Principal terms of the Offers

Subject to and upon the Share Sale Completion, Alliance Capital will, on behalf of the Offeror, make the Offers in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.3305 in cash
For cancellation of each Option HK\$0.2177 in cash

The Share Offer Price of HK\$0.3305 per Offer Share equals the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Option Offer Price of HK\$0.2177 for cancellation of each outstanding Option represents the difference of the Share Offer Price and the exercise price of each Option granted as required under Rule 13 of the Takeovers Code.

As at the date of this joint announcement, the Company has 4,021,222,889 Shares in issue and outstanding Options entitling their holder to subscribe for up to an aggregated of 10,197,080 Shares at an exercise price of HK\$0.1128 per Share. All the Options are currently exercisable. If the Options are exercised in full, the Company will have to issue 10,197,080 Shares representing approximately 0.25% of the enlarged issued share capital of the Company as at the date of this joint announcement. Mr. Fong Kwok Jen, a non-executive Director, has a total of 10,197,080 Options, convertible into ordinary Shares at a conversion price of HK\$0.1128 per Share.

There are no other outstanding warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into the Shares of the Company.

The Offers will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Shares to be acquired under the Offers will be fully paid, free from all liens, charges and encumbrances.

Offer Consideration

Offer Consideration

Based on (i) the Share Offer Price of HK\$0.3305 per Offer Share and a total of 4,021,222,889 Shares in issue as at the date of this joint announcement; and (ii) assuming the all 10,197,080 outstanding Options are exercised in full, there will be a total of 4,031,419,969 Shares in issue and the Company is valued at approximately HK\$1,332,384,300.

Subject to and immediately after Share Sale Completion, the Offeror and parties acting in concert with it will own 2,212,547,776 Shares. Based on (i) a total of 4,021,222,889 Shares in issue; (ii) the irrevocable undertakings given by the Vendors and the Guarantor not tendering their remaining Shares of an aggregate of 401,720,166 Shares as referred to above; and (iii) assuming none of the Options are exercised, the total number of issued Shares subject to the Offers will be 1,406,954,947 Shares, being the Shares held by the Independent Shareholders.

In the event that the Share Offer (excluding those remaining Shares owned by the Guarantor and Vendors who have given irrevocable undertaking not to tender their Shares in the Offers), and the Option Offer are accepted in full, the maximum aggregate amount payable by the Offeror under the Offers will be HK\$467,218,514.

Assuming all 10,197,080 outstanding Options are exercised in full, the total number of issued Shares subject to the Offers will be 1,417,152,027 Shares and the maximum aggregate amount payable by the Offeror under the Offers will be HK\$468,368,745.

Offer Price

The Offer Price of HK\$0.3305 per Offer Share, and the implied Offer Price of HK\$0.3305 per Share upon full conversion of the Option, represents:

- (i) a premium of approximately 29.61% over the closing price of HK\$0.2550 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.44% over the average closing price of approximately HK\$0.2656 per Share for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 41.54% over the average closing price of approximately HK\$0.2335 per Share for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 92.94% over the average closing price of approximately HK\$0.1713 per Share for the last thirty trading days immediately prior to and including the Last Trading Day; and

- (v) a premium of approximately 54.74% over the unaudited net asset value of the Group attributable to the Shareholders of approximately HK\$0.2136 per Share as at 28 February 2015 and a premium of approximately 44.01% over the audited net asset value of the Group attributable to the Shareholders of approximately HK\$0.2295 per Share as at 31 March 2014.

Option Offer Consideration

Based on the Option Offer Price of HK\$0.2177 for the cancellation of each outstanding Option and 10,197,080 outstanding Options as at the date of this joint announcement, the maximum amount payable under the Option Offer (assuming no Option is exercised prior to the date of the closing of the Offers and the Option Offer is accepted in full) is approximately HK\$2,219,904.

Payment

Payment in cash in respect of acceptances of the Share Offer and the Option Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Share Offer and the Option Offer and the relevant documents of title of the Shares or Options in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

Highest and Lowest Share Prices

During the six-month period immediately prior to and including the Last Trading Day, the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.1090 on 4 March 2015 and the highest closing price per Share as quoted on the Stock Exchange was HK\$0.3050 on 29 October 2014.

Effect of Accepting the Offers

The Offers, subject to Share Sale Completion taking place, will be unconditional in all respects. By accepting the Share Offer, Shareholders will sell their Shares fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of posting of the Composite Document.

By accepting the Option Offer, the outstanding Options, together with all rights attaching thereto, will be entirely cancelled.

Acceptance of the Offers by any Shareholder will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Acceptance of the Offers by any Shareholder and Option holders will be deemed to constitute a warranty by such person that all Shares or Options sold by such person under the Offers are free from all encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offers are made. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Overseas Shareholders

The Offeror intends to make the Offers available to all Shareholders, including the Overseas Shareholders. However, the Offers is in respect of securities of a company incorporated in Hong Kong and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. The Overseas Shareholders who wish to participate in the Offers but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offers. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Stamp Duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, which will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Share Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No Stamp duty is payable in connection with the Option Offer.

Other Arrangements

Save for the Sale Shares under the Share Purchase Agreement, none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them has dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month

period prior to the date of this joint announcement. The Offeror confirms that, as at the date of this joint announcement:

- (i) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (ii) none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them have received any irrevocable commitment to accept the Offers;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (iv) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers; and
- (v) none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them has entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company nor has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in property development, property investment and trading, and property development management, hotel operations and securities trading and investment.

Set out below is a summary of the audited consolidated results of the Group for each of the two financial years 2014 and 2013, and the unaudited consolidated results of the Group for the six months ended 30 September 2014, as extracted from the annual reports of the Company for the years ended 31 March 2014 and 31 March 2013 and the interim report of the Company for the six months ended 30 September 2014, respectively.

	For the six months ended 30 September 2014 (Unaudited) HK\$'000	For the year ended 31 March 2014 (Audited) HK\$'000	2013 (Audited) HK\$'000
Revenue	32,064	35,592	56,634
Profit/(loss) before tax	11,718	(42,223)	9,778
Profit/(loss) attributable to owners of the Company	9,758	(43,503)	33,375

The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 were approximately HK\$843,425,000 which was equivalent to approximately HK\$0.2307 per Share. The audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2014 were approximately HK\$826,798,000 which was equivalent to approximately HK\$0.2295 per Share and the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2013 were approximately HK\$904,396,000 which was equivalent to approximately HK\$0.2563 per Share.

Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the date of this joint announcement and immediately prior to Share Sale Completion; and (ii) immediately upon Share Sale Completion:

	As at the date of this joint announcement and immediately prior to Share Sale Completion		Immediately upon Share Sale Completion but before the commencement of the Offers	
	<i>No. of shares</i>	<i>approx. %</i>	<i>No. of shares</i>	<i>approx. %</i>
The Offeror and its concerted parties	–	0.00%	2,212,547,776	55.02%
Mr. Chan Heng Fai (Guarantor)	71,042,730	1.77%	71,042,730	1.77%
First Vendor (<i>Note 1</i>)	1,638,071,385	40.74%	330,677,436	8.22%
Second Vendor (<i>Note 2</i>)	651,243,201	16.20%	–	0.00%
Third Vendor	253,910,626	6.31%	–	0.00%
Chan Tong Wan	35,027,873	0.87%	35,027,873	0.87%
Chan Sook Jin	13,650,674	0.34%	13,650,674	0.34%
Chan Tung Moe	23,290,300	0.58%	23,290,300	0.58%
Fong Kwok Jen (<i>Note 3</i>)	13,127,443	0.33%	13,127,443	0.33%
Wong Dor Luk	308,000	0.01%	308,000	0.01%
Public	1,321,550,657	32.86%	1,321,550,657	32.86%
Total	4,021,222,889	100.00%	4,021,222,889	100.00%

Notes:

- The First Vendor is a company incorporated in the Commonwealth of The Bahamas with limited liability, which are ultimately owned by a discretionary trust established by Mr. Chan Heng Fai, an executive Director, as settlor. Mr. Chan Heng Fai is deemed to be interested in all the Shares in which the First Vendor is interested by virtue of the SFO. Mr. Chan Heng Fai is the sole director of the First Vendor. Mr. Chan Heng Fai is the spouse of Ms. Chan Yoke Keow.
- The Second Vendor is a company incorporated in the British Virgin Islands with limited liability, which are ultimately owned by a discretionary trust established by Ms. Chan Yoke Keow, an executive Director, as settlor. Ms. Chan Yoke Keow is deemed to be interested in all the Shares in which the Second Vendor is interested by virtue of the SFO. Ms. Chan Yoke Keow is the sole director of the Second Vendor. Ms. Chan Yoke Keow is the spouse of Mr. Chan Heng Fai.

3. Mr. Fong Kowk Jen, an non-executive Director of the Company, is the holder of 10,197,080 Options convertible into ordinary Shares at a conversion price of HK\$0.1128 per Share.

INFORMATION ON THE OFFEROR

Information of the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability on 18 April 2011. The Offeror is wholly and ultimately owned by Ms. Huang Yanping.

Information on the Sole Shareholder and Sole Director of the Offeror

Ms. Huang Yanping, age 52, is the sole shareholder and sole director of the Offeror. Ms. Huang has over 15 years' experiences in the property development and investment industry in the PRC. Ms. Huang has been involved in the development of not less than 36 property development projects in Henan, Shandong and Hainan province in China with a total gross floor area of not less than 14 million square meters. She is one of the founders of a real estate company which has become one of the top 100 property development companies in China.

Ms. Huang holds an associate's degree in industrial and economics management from Henan Agricultural University.

SOURCES OF FUND

The Offeror group (i.e. the Offeror's shareholder and its affiliated companies) will finance the Offers for the Offeror and the purchase price of the Sale Shares under the Share Purchase Agreement with their self-owned funds and the Facility. Alliance Capital, the Financial Adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the acquisition of shares under the Share Purchase Agreement and full acceptance of the Offers to complete the Sale Purchase Agreement and to satisfy full acceptance of:

- i. all the issued Shares subject to the Offers, including any new Shares to be issued pursuant to any exercise of the Options other than (i) those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) those remaining Shares owned by the Guarantor and Vendors who have given irrevocable undertaking not to tender their Shares in the Offers; and
- ii. the cancellation of all outstanding Options.

Pursuant to the Facility Agreement, the Offeror shall make an initial deposit of no less than HK\$730,000,000 or if such amount is being used to purchase the Shares pursuant to the Share Purchase Agreement, to deposit all such Shares as security, to a Hong Kong Dollar denominated margin securities trading account in the name of the Offeror opened with the Lender (the "Charged Account"). Alliance Capital's consent is required if the Offeror withdraws any money or securities from the Charged Account. The availability of the Facility will not be subject to any volatility of the market value of the Shares or any other subjective conditions.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Upon Share Sale Completion, the Offeror will become the Controlling Shareholder.

The Offeror intends to conduct a detail review about the existing businesses, assets, investments, employments and balance sheet structure of the Group with a view to streamlining the Group's businesses. The Offeror intends to maintain the principal business of the Group in the property related business and will explore suitable investment and expansion opportunity for bringing returns for all shareholders. In particular, the Offeror intends to analyze feasibility of expanding the Group's business into China. Subject to the future business development plan and the market conditions, the Offeror intends to provide personnel, technology, financials and other resources to support the Group's existing or new development plan.

As at the date of this joint announcement, the Offeror has yet to formulate substantial plan or timetable in relation to the investment proposal referred to above.

In regards to the proposed change of management, please refer to the paragraph headed "*Proposed change to the Board composition and senior management of the Group*" below for the proposed change of the Group's senior management.

Proposed Change to the Board Composition and Senior Management of the Group

As at the date of this joint announcement, the Board is currently made up of 8 Directors, comprising 3 executive Directors (namely Mr. Chan Heng Fai, Mr. Chan Tong Wan and Ms. Chan Yoke Keow; 2 non-executive Directors (namely Dr. Lam, Lee G. and Mr. Fong Kwok Jen) and 3 independent non-executive Directors (namely Mr. Wong Tat Keung, Mr. Wong Dor Luk, Peter and Mr. Chan King Fai).

Subject to Share Sale Completion, the Vendors and the Guarantor have undertaken to procure the resignation of each of the Chan Family Members as a director of the Company and all the directors and the secretary of each of the subsidiaries and associates of the Company. The Vendors and the Guarantor have also undertaken to procure the resignation of each of the Chan Family Members from all executive and/or management positions with the Company, its subsidiaries and associate companies, with the exception that the Guarantor shall remain as a senior management member of three Group Companies, namely Inter-American Group Holdings Inc., American Housing REIT Inc and Global Medical REIT Inc., with each such resignation taking effect from the earliest date on which the relevant director of the Company may resign under the Listing Rules, the Takeovers Code and any other applicable law. There are no agreements or arrangements entered into and no discussions that have taken place as to any variation or amendment to the Guarantor's existing terms of employment including his remuneration as an employee of the foregoing three Group Companies, namely Inter-American Group Holdings Inc., American Housing REIT Inc and Global Medical REIT Inc.

With effect from Share Sale Completion, subject to the arrangements above in respect of the Guarantor, each of the Chan Family Members shall forego all remuneration or benefits from any Group Company whether in his/her capacity as a director or as an employee. For the avoidance of doubt, such foregoing undertaking does not extinguish any outstanding rights to remuneration or benefits accrued by any Chan Family Member on or prior to the Completion Date.

The Offeror intends to nominate new directors to the Board with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code. The Offeror also intends to nominate new senior management members to the Company, its subsidiaries and associate companies.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

Maintaining the listing status of the Company

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

The Stock Exchange has indicated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares.

GENERAL

Independent Board Committee

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the Offers is, or is not, fair and reasonable; and (ii) as to acceptance.

Under Rule 2.8 of the Takeovers Code, members of the independent board committee should comprise all non-executive directors of the company who have no direct or indirect interest in any offer or possible offer for consideration by the independent committee other than, in the case of a director of the offeree company, as a shareholder of the offeree company. The Board notes that Mr. Fong Kwok Jen, a non-executive director of the Company, has acted as a legal adviser to the Guarantor, who is also beneficially interested in the First Vendor, for many years on the Guarantor's various personal investment in various transactions in relation to his shareholdings in corporations where the Guarantor has interests. Similarly, Dr. Lam, Lee G, the other non-executive director of the Company, has a business relationship with the Guarantor and has provided the Guarantor with a number of business and investment opportunities. Accordingly, both Mr. Fong Kwok Jen and Dr. Lam, Lee G will not form part of the Independent Board Committee due to the lack of independence with respect to the Offers.

The Independent Board Committee, comprising all the independent non-executive Directors, (namely Mr. Wong Tat Keung, Mr. Wong Dor Luk, Peter and Mr. Chan King Fai) has been formed to advise the Independent Shareholders in respect of the Offers.

Further announcement will be made upon the appointment of the independent financial adviser to the Independent Board Committee.

Composite Document

It is the intention of the Offeror and the Board to combine the offers document and the offeree board circular into a Composite Document.

Pursuant to Rule 8.2 of the Takeovers Code, within 21 days of the date of this joint announcement or such later date as the Executive may approve, an offer document is required to be despatched to the Shareholders.

As there is a pre-condition (that is, the Share Sale Completion) to the making of the Offers, if the Vendors and the Purchaser are unable to complete the Sale and Purchase Agreement and despatch the Composite Document within 21 days under Rule 8.2 of the Takeovers Code, an application will be made by the Offeror and the Vendors for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within 7 days from the Completion Date. The Composite Document will set out, among other matters, the Offers, a letter of advice from the Independent Board Committee in relation to the Offers and a letter of advice from an independent financial adviser to be appointed to advise the Independent Board Committee in respect of the Offers.

Disclosure of Dealings

All associates (including a person who owns or controls 5% or more of any class of relevant securities) of the Offeror and the Company are reminded to disclose their dealings in any relevant securities of the Company in accordance with Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

Pending the release of this joint announcement, trading in the Shares on the Stock Exchange was halted with effect from 9:00 am on 27 April 2015 at the request of the Company. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 am on 7 May 2015.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Alliance Capital” or “Financial Adviser”	Alliance Capital Partners Limited (同人融資有限公司), a registered institution under the SFO, licensed to conduct regulated activities of type 1 (dealing in securities) and type 6 (advising on corporate finance) under the SFO and the financial adviser to the Offeror in respect of the Offers
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Chan Family Members”	Mr. Chan Heng Fai, Ms. Chan Yoke Keow, Mr. Chan Tong Wan, Mr. Chan Tung Moe and Ms. Chan Sook Jin Mary Ann
“Company”	Heng Fai Enterprises Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the third Business Day after the fulfillment (or, if applicable, waiver) of the Conditions (or such other date as the parties to the Share Purchase Agreement may agree in writing)
“Composite Document”	the composite offer and response document in respect of the Offers to be jointly despatched by the Offeror and the Company in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offers

“Conditions”	closing condition(s) to Share Sale Completion, further details of which are set out in the section headed “ <i>Conditions</i> ” of this joint announcement
“Consideration”	consideration payable by the Offeror as purchaser for the sale and purchase of the Sale Shares under the Share Purchase Agreement, being HK\$731,247,040
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation, equities, adverse claims, restrictions, pre-emption rights or other encumbrance, priority or security interest or other rights of whatsoever nature or interest or any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a loan facility of up to HK\$467,500,000 granted by the Lender to the Offeror, for which the Offeror and the Lender also entered into a facility agreement on 27 April 2015 (the “Facility Agreement”)
“Facility Agreement”	an agreement between the Lender and the Offeror dated 27 April 2015 in connection with the Facility
“First Vendor”	Heng Fai Holdings Limited, a company incorporated in the Commonwealth of The Bahamas with limited liability, which are ultimately owned by a discretionary trust established by Mr. Chan Heng Fai as settlor (being one of the Controlling Shareholders)
“Group”	the Company and its subsidiaries, and the term “Group Company” shall be construed accordingly.
“Guarantor”	Mr. Chan Heng Fai, the chairman of the Company (being one of the Controlling Shareholders)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

* For identification purposes only

“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors (namely Mr. Wong Tat Keung, Mr. Wong Dor Luk, Peter and Mr. Chan King Fai), formed to advise the Independent Shareholders in respect of the Offers
“Independent Shareholder(s)”	holder(s) of the Shares, other than the Offeror and parties acting in concert with it
“Last Trading Day”	24 April 2015, the last trading date before the trading in the Shares on the Stock Exchange was halted
“Lender”	CCB International Securities Limited, a licensed financial institution who extended the Facility to the Offeror for the Offers
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	60th clear calendar day after the date of the Share Purchase Agreement (or such other date as agreed by the parties) (i.e. 24 June 2015)
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Offer Options”	the 10,197,080 Options granted to Mr. Fong Kwok Jen, an non-executive Director, convertible into ordinary Shares at a conversion price of HK\$0.1128 per Share
“Offer Period”	has the meaning ascribed to it under the Takeovers Code
“Offer Shares”	1,406,954,947 Shares that are subject to the Offers
“Offeror”	Joy Town Inc., a company incorporated in the BVI with limited liability and the purchaser of the Sale Shares under the Share Purchase Agreement
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the possible unconditional mandatory cash offer for the cancellation of all outstanding Options to be made by Alliance Capital on behalf of the Offeror at the Option Offer Price

“Option Offer Price”	means HK\$0.2177 for cancellation of each outstanding Option
“Options”	the share options granted under the share option scheme of the Company adopted on 28 August 2013
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as stated in the register of members of the Company is or are outside Hong Kong
“PRC”	the People’s Republic of China and for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	2,212,547,776 Shares legally and beneficially owned by the Vendors (as to (i) 1,307,393,949 Shares by First Vendor and (ii) 651,243,201 Shares by Second Vendor, and (iii) 253,910,626 Shares by Third Vendor) as at the date of this joint announcement and immediately prior to Share Sale Completion, representing an aggregate of 55.02% of the entire issued share capital of the Company as at the date of this joint announcement, and each a Sale Share
“Second Vendor”	Prime Star Group Co., Ltd., a company incorporated in the BVI with limited liability, which are ultimately owned by a discretionary trust established by Ms. Chan as settlor (being one of the Controlling Shareholders)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the share capital of the Company
“Share Offer”	the possible unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) to be made by Alliance Capital on behalf of the Offeror at the Share Offer Price
“Share Offer Price”	HK\$0.3305 per Offer Share
“Share Purchase Agreement”	the conditional agreement for the sale and purchase of shares dated 25 April 2015 entered into between the Vendors, the Guarantor and the Offeror in relation to the sale and purchase of the Sale Shares
“Share Sale Completion”	the completion of the Share Purchase Agreement pursuant to the terms and conditions contained therein

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Third Vendor” or “Ms. Chan”	Ms. Chan Yoke Keow, an executive Director (being one of the Controlling Shareholders)
“Vendors”	the First Vendor, the Second Vendor and the Third Vendor collectively (and each of them individually, the “Vendor”)
“Warranties”	means the warranties and representations given by the Vendors under the Share Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Directors of
Joy Town Inc.
Huang Yanping
Director

By Order of the Board
Heng Fai Enterprises Limited
 恒輝企業控股有限公司
Chan Tony Wan
Managing Director

Hong Kong, 6 May 2015

As at the date of this joint announcement, the sole director of the Offeror is Ms. Huang Yanping, who solely accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this joint announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

As at the date of this announcement, the executive Directors are Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow; the non-executive Directors are Dr. Lam, Lee G. and Mr. Fong Kwok Jen and the independent non-executive Directors are Mr. Wong Tat Keung, Mr. Wong Dor Luk, Peter and Mr. Chan King Fai.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement relating to the Group have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.