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CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

- (1) SUBSCRIPTION OF NEW ORDINARY SHARES AND
NEW PREFERRED SHARES;**
- (2) APPLICATION FOR WHITEWASH WAIVER;**
- (3) AMENDMENT TO BYE-LAWS;**
- AND**
- (4) RESUMPTION OF TRADING**

Financial advisers to the Company



KINGSTON CORPORATE FINANCE LTD.



**REORIENT 瑞東
REORIENT Financial Markets Limited**

THE SUBSCRIPTION

On 29 May 2014 (after the trading hours), the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 Subscription Shares, comprising 1,666,666,668 new Ordinary Shares and 2,683,333,332 new Preferred Shares at an issue price of HK\$0.08 per Subscription Share. The Subscription Shares (upon the conversion rights attaching to the Preferred Shares are fully exercised) represent approximately 300.1% of the number of issued Ordinary Shares as at the date of this announcement and approximately 75.0% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Subscription Shares (assuming the conversion rights attaching to the Preferred Shares are fully exercised).

The aggregate Subscription Price amounts to approximately HK\$348 million. The Subscription Shares and the Conversion Shares will be issued pursuant to the Specific Mandate to be obtained at the SGM.

APPLICATION FOR WHITEWASH WAIVER

Upon Completion, New Horizon (being one of the Subscribers) will be interested in 1,133,333,334 Ordinary Shares, representing approximately 78.19% of the number of issued Ordinary Shares as at the date of this announcement or approximately 36.37% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares (on the basis that no Preferred Shares shall then be convertible into Ordinary Shares and that there is no other change in the number of issued Ordinary Shares). Starbliss, Grand Consulting, Lucky Time, Cutting Edge and REORIENT Global, who are also the Subscribers, are considered as parties acting in concert with New Horizon.

Upon Completion, the Subscribers and their respective concert parties will in aggregate be interested in 1,666,666,669 Ordinary Shares, representing approximately 114.98% of the number of issued Ordinary Shares as at the date of this announcement and approximately 53.48% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares (on the basis that no Preferred Shares shall then be convertible into Ordinary Shares and that there is no other change in the number of issued Ordinary Shares). Upon full conversion of the Preferred Shares, the Subscribers and their respective concert parties will in aggregate be interested in 4,350,000,001 Ordinary Shares, representing approximately 300.1% of the number of issued Ordinary Shares as at the date of this announcement and approximately 75% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares (assuming no adjustment to the conversion price is required in accordance with the terms of the Preferred Shares set out in the Subscription Agreement and that there is no other change in the number of issued Ordinary Shares).

Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and any parties acting in concert with any of them, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscribers will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares upon full conversion of the Preferred Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

AMENDMENT TO BYE-LAWS

In connection with the Subscription, the Board proposes to amend the Bye-laws to, among others, reflect the creation and issue of the Preferred Shares. Such amendment is conditional upon, among others, the passing of the special resolution by Independent Shareholders at the SGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms and conditions of the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to make recommendation to the Independent Shareholders as to their voting on the proposed resolution approving the Whitewash Waiver at the SGM.

GENERAL

A circular containing, among other things, (i) details of the Subscription, the Whitewash Waiver, the Redesignation Resolution and amendment to Bye-laws; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from independent financial adviser to the Independent Board Committee in relation to the Subscription and the Whitewash Waiver; and (iv) a notice convening the SGM will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code, and is expected to be despatched on or before 4 July 2014.

RESUMPTION OF TRADING

At the request of the Company, trading in the Ordinary Shares has been suspended from 9:00 a.m. on 30 May 2014 pending the publication of this announcement. An application has been made by the Company for the resumption of trading in the Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 16 June 2014.

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the SGM by the Independent Shareholders of the Subscription and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

On 29 May 2014 (after the trading hours), the Company and the Subscribers entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 Subscription Shares, comprising 1,666,666,668 new Ordinary Shares and 2,683,333,332 new Preferred Shares, at an issue price of HK\$0.08 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date : 29 May 2014 (after the trading hours)

Issuer : The Company

Subscribers : (i) New Horizon
(ii) Starbliss
(iii) Grand Consulting
(iv) Lucky Time
(v) Cutting Edge
(vi) REORIENT Global

The Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Please refer to the section headed “Information of the Subscribers” for more information of the Subscribers.

The Subscription Shares

The Subscription comprises the Ordinary Shares Subscription, the Tranche A Preferred Shares Subscription and the Tranche B Preferred Shares Subscription.

The following sets out a summary of the subscription of the Subscription Shares by each of the Subscribers:

| | Ordinary Shares Subscription | | Tranche A Preferred Shares Subscription | | Tranche B Preferred Shares Subscription | |
|------------------|-------------------------------|-----------------------------------|---|-----------------------------------|---|-----------------------------------|
| | <i>No. of Ordinary Shares</i> | <i>Consideration HK\$ million</i> | <i>No. of Preferred Shares</i> | <i>Consideration HK\$ million</i> | <i>No. of Preferred Shares</i> | <i>Consideration HK\$ million</i> |
| New Horizon | 1,133,333,334 | 90.67 | 912,333,333 | 72.99 | 912,333,333 | 72.99 |
| Starbliss | 155,555,556 | 12.44 | 125,222,222 | 10.02 | 125,222,222 | 10.02 |
| Grand Consulting | 77,777,778 | 6.22 | 62,611,111 | 5.01 | 62,611,111 | 5.01 |
| Lucky Time | 77,777,778 | 6.22 | 62,611,111 | 5.01 | 62,611,111 | 5.01 |
| Cutting Edge | 155,555,556 | 12.44 | 125,222,222 | 10.02 | 125,222,222 | 10.02 |
| REORIENT Global | <u>66,666,666</u> | <u>5.34</u> | <u>53,666,667</u> | <u>4.29</u> | <u>53,666,667</u> | <u>4.29</u> |
| | <u>1,666,666,668</u> | <u>133.33</u> | <u>1,341,666,666</u> | <u>107.33</u> | <u>1,341,666,666</u> | <u>107.33</u> |

The 1,666,666,668 Ordinary Subscription Shares represent (i) approximately 114.98% of the number of issued Ordinary Shares as at the date of this announcement; and (ii) approximately 53.48% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares (on the basis that no Preferred Shares shall then be convertible into Ordinary Shares and that there is no other change in the number of issued Ordinary Shares). The aggregate nominal value of the Ordinary Subscription Shares is HK\$16,666,666.68.

Upon conversion of the Tranche A Preferred Shares in full, 1,341,666,666 Conversion Shares will be allotted and issued, representing (i) approximately 92.56% of the number of issued Ordinary Shares as at the date of this announcement; and (ii) approximately 30.10% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares under the Tranche A Preferred Shares (on the basis that no Tranche B Preferred Shares shall then be convertible into Ordinary Shares and assuming no adjustment to the conversion price is required in accordance with the terms of the Preferred Shares set out in the Subscription Agreement and that there is no other change in the number of issued Ordinary Shares). The aggregate nominal value of the 1,341,666,666 Conversion Shares under the Tranche A Preferred Shares is HK\$13,416,666.66.

Upon conversion of the Tranche B Preferred Shares in full, 1,341,666,666 Conversion Shares will be allotted and issued, representing (i) approximately 92.56% of the number of issued Ordinary Shares as at the date of this announcement; and (ii) approximately 23.13% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares under both the Tranche A Preferred Shares and the Tranche B Preferred Shares (assuming no adjustment to the conversion price is required in accordance with the terms of the Preferred Shares set out in the Subscription Agreement and that there is no other change in the number of issued Ordinary Shares). The aggregate nominal value of the 1,341,666,666 Conversion Shares under the Tranche B Preferred Shares is HK\$13,416,666.66.

The Subscription Price

The Subscription Price of HK\$0.08 per Subscription Share represents (i) a discount of approximately 76.12% to the closing price of HK\$0.335 per Ordinary Share as quoted on the Stock Exchange on 29 May 2014, being the Last Trading Day; (ii) a discount of approximately 74.92% to the average closing price of approximately HK\$0.319 per Ordinary Share for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 75.16% to the average closing price of approximately HK\$0.322 per Ordinary Share for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a discount of approximately 44.06% to the unaudited net asset value per Ordinary Share of HK\$0.143 as at 30 September 2013.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account the prevailing market price of the Ordinary Shares; the trading volume of the Ordinary Shares and the unaudited net asset value per Ordinary Share as at 30 September 2013.

The aggregate Subscription Price amounts to approximately HK\$348 million which shall be payable in cash by the Subscribers in proportion to their Subscription Shares subscribed in the following manners:

- (i) at Completion, the Subscription Price of the Ordinary Shares Subscription and approximately 5% of the Subscription Price of the Tranche A Preferred Shares Subscription and the Tranche B Preferred Shares Subscription, i.e. being approximately HK\$144 million in aggregate;
- (ii) on a date falling within six months after the Completion Date specified by the relevant Subscriber(s) by written notice to the Company, or if no such written notice has been received by the Company, the date falling on the last day of such six-month period after the Completion Date (or such other date as the parties under the Subscription Agreement may agree in writing), approximately 95% of the aggregate Subscription Price of the Tranche A Preferred Shares Subscription, i.e. being approximately HK\$102 million; and
- (iii) on a date falling before the first anniversary of the Completion Date specified by the relevant Subscriber(s) by written notice to the Company, or if no such written notice has been received by the Company, the first anniversary of the Completion Date (or such other date as the parties under the Subscription Agreement may agree in writing), approximately 95% of the aggregate Subscription Price of the Tranche B Preferred Shares Subscription, i.e. being approximately HK\$102 million.

Upon Completion, the Preferred Shares shall be issued and credited as partly paid. Payment of the remaining Subscription Price of the Preferred Shares as set out in paragraphs (ii) and (iii) above are subject further to fulfilment of the following conditions by the Company:

- (a) Completion having occurred in accordance with the terms and conditions of the Subscription Agreement;
- (b) the approval by the Independent Shareholders at the SGM for the Specific Mandate not having been or proposed to be withdrawn, amended or revoked; and
- (c) the current listing of the Ordinary Shares not having been cancelled or withdrawn, the Ordinary Shares continuing to be traded on the Stock Exchange at all times from the Completion Date to the payment date (save for any temporary suspension not more than five trading days (or such other period as such Subscriber may agree), and the Stock Exchange approval with respect to the listing and dealing in such Conversion Shares not having been revoked or cancelled or amended.

In the event the Company fails to fulfil the above conditions on or before the relevant payment date (or such later date as the relevant Subscriber may otherwise agree to defer in writing in accordance with the Subscription Agreement), the relevant Subscriber shall be entitled not to pay the balance of the aggregate Subscription Price of the relevant Preferred Shares, and may in its absolute discretion by written notice to the Company: (1) defer payment of such balance by not more than 28 days to such other date as the relevant Subscriber may specify; or (2) elect not to proceed further with its outstanding payment obligation of its balance of the aggregate Subscription Price of the relevant Preferred Shares, and accordingly the Company shall repurchase the relevant Preferred Shares from the

relevant Subscriber at an amount equivalent to the Subscription Price received by the Company for the relevant number of Preferred Shares from such Subscriber. In the event the relevant Subscriber fails to pay its remaining Subscription Price of the Preferred Shares as set out in paragraphs (ii) and (iii) above on or before the relevant payment date (or such later date as the Company may otherwise agree to defer in writing in accordance with the Subscription Agreement), the Company shall be entitled not to convert the relevant Preferred Shares and may in its absolute discretion by written notice to the relevant Subscriber: (1) defer payment of such balance by not more than 28 days to such other date as the Company may specify; or (2) in the event that by the last day of the relevant payment date, the relevant Subscriber has not paid in full its balance of the aggregate Subscription Price of the relevant Preferred Shares, forfeit such Preferred Shares issued to such Subscriber.

Information on the Preferred Shares

A summary of the principal terms of the Preferred Shares is set out below:

- Issue price: HK\$0.08 per Preferred Share
- Dividends: None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of the Company available for distribution.
- Return on capital: The Preferred Shares shall rank *pari passu* in all respects for return of capital on liquidation, winding up or dissolution of the Company and participation in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue.
- Transferability: Any Preferred Shares, subject to it having been fully paid up and the “Lock-up undertakings” as detailed below, shall be freely transferable. For the avoidance of doubt, no partly paid Preferred Shares can be transferred.
- Voting: The holder(s) of the Preferred Shares will not be entitled to attend or vote at any general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder(s) thereof the right to receive notice of, and to attend and vote at, the general meeting, save that such holder(s) may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares.

- Conversion:** Subject to the minimum public float requirement set out below and the payment in full of the Subscription Price of the Preferred Shares, the Preferred Shares shall be convertible into Ordinary Shares by the Preferred Shareholder serving the conversion notice to the Company on any Business Day within the conversion period, without the payment of any additional consideration therefor, into such number of fully-paid Conversion Shares.
- The Company's obligation to effect conversion of fully paid Preferred Shares into Conversion Shares shall be subject to the minimum public float requirement under the Listing Rules being met.
- Conversion period:** The period commencing from the Completion Date and ending on the second anniversary of the Completion Date.
- Conversion price:** HK\$0.08, subject to customary adjustment for, among other matters, subdivision or consolidation of Ordinary Shares, capitalisation of profits or reserves, capital distributions and rights issue.
- Conversion rate:** One Preferred Share convertible into one Ordinary Share (subject to adjustment of the conversion price), which is determined by dividing the Subscription Price by the conversion price per Ordinary Share in effect at the time of conversion, provided that the conversion price shall not be less than the then subsisting par value of an Ordinary Share into which such Preferred Share is convertible.
- Redemption:** Other than the repurchase as set out in the section headed "The Subscription Price" above, the Preferred Shares shall be non-redeemable.

Mandate for the issue of the Subscription Shares

The Subscription Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the SGM.

Ranking

The Ordinary Subscription Shares and the Conversion Shares will rank pari passu in all respects with the Ordinary Shares in issue as at the date of allotment and issue of the Ordinary Subscription Shares and the Conversion Shares respectively.

Listing application

No application will be made for the listing of, or permission to deal in, the Preferred Shares on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Subscription Shares and the Conversion Shares.

Conditions of the Subscription

The Subscription is conditional upon satisfaction (or waiver by the Subscribers jointly in the case of paragraphs (g), (h), (i) and (m) below) of the following conditions:

- (a) the current listing of the Ordinary Shares not having been cancelled or withdrawn, the Ordinary Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to the Completion Date (save for any temporary suspension pending this announcement (or such other period as the Subscribers may agree) and neither the Stock Exchange nor the SFC having indicated that either one of them will qualify, object to, cancel or withdraw such listing and/or dealings in the Ordinary Shares (including the Ordinary Subscription Shares) for reasons related to or arising from the transactions contemplated in the Subscription Agreement;
- (b) the passing of resolutions (special resolution or ordinary resolution, as the case may be) by the Shareholders (other than those who are required by the Listing Rules and/or the Takeovers Code to abstain from voting) in general meeting of the Company approving, among other things:
 - (i) the execution, consummation and completion of the Subscription Agreement;
 - (ii) the Redesignation Resolution;
 - (iii) the Specific Mandate;
 - (iv) where required under the Listing Rules, the terms of the Outsourcing Technology Development Agreement and the transactions contemplated thereunder and authorising its execution thereof; and
 - (v) amendment to Bye-laws in respect of, among others, the creation, allotment and issue of a class of Preferred Shares with the rights, obligations and privileges attaching thereto;
- (c) the Executive having granted to New Horizon and parties acting in concert with it the Whitewash Waiver (and such grant not having been revoked or withdrawn) and any necessary conditions prior to Completion, if any, attached to it having been fulfilled;
- (d) the Company having obtained approval of its Independent Shareholders in general meeting for the Whitewash Waiver;
- (e) the listing committee of the Stock Exchange having granted listing of and permission to deal in the Ordinary Subscription Shares and the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;
- (f) the Group having obtained all consent from the relevant governmental or regulatory authorities which are necessary to be obtained for the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement and the Outsourcing Technology Development Agreement;

- (g) the warranties under the Subscription Agreement remaining true, accurate and not misleading in all material respects at Completion by reference to the facts and circumstances subsisting as at the Completion Date;
- (h) the Company having complied fully with the pre-completion obligations set out in the Subscription Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement;
- (i) there being no material adverse change in respect of the Company's ability to perform its obligations under the Subscription Agreement or the business, assets and liabilities, condition or results of operations of the Group as a whole subsisting;
- (j) the Group having obtained all consent from third parties which are necessary to be obtained for the execution and performance of the Subscription Agreement and the Outsourcing Technology Development Agreement and any of the transactions contemplated under the Subscription Agreement and the Outsourcing Technology Development Agreement;
- (k) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement and the Outsourcing Technology Development Agreement, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement and the Outsourcing Technology Development Agreement, which makes the consummation of which illegal;
- (l) no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the Subscription Agreement and the Outsourcing Technology Development Agreement or the consummation of the transactions contemplated under the Subscription Agreement and the Outsourcing Technology Development Agreement having been enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere;
- (m) a legal opinion dated no earlier than three Business Days before the Completion Date to be issued by the Company's Bermuda counsel and addressed to the Company and the Subscribers as to the Bermuda law on (i) the due incorporation and good standing of the Company; (ii) the capacity of the Company entering into the Subscription Agreement; (iii) the performance by the Company of its obligations under the Subscription Agreement will not violate the memorandum of association of the Company or the By-laws nor any applicable law in Bermuda; and (iv) matters relating to the allotment and issue of the Preferred Shares and the conversion thereof and other matters customary for transactions of this nature; and
- (n) New Horizon having procured the delivery of a legal opinion (in the agreed form) addressed to the Company to be issued by a PRC law firm acceptable to the Company confirming, among other matters: (i) the power and authority of Kuang-Chi to perform its obligations under the Outsourcing Technology Development Agreement; (ii) the legality, validity and enforceability of the Outsourcing Technology Development

Agreement and the transactions contemplated thereunder; (iii) the validity of the relevant consents required to be obtained by the Group for the transactions contemplated under the Outsourcing Technology Development Agreement; and (iv) such other matters as may be reasonably required by the Company.

Conditions precedent (a), (b), (c), (d), (e), (f), (j), (k) and (l) are not waivable by the Subscribers and condition precedent (n) is not waiveable by the Company.

In the event that any of the above conditions shall not have been fulfilled or waived (as applicable) prior to the Long Stop Date, then none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save as to any antecedent breach of the Subscription Agreement. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

Completion

Completion shall take place on the fifth Business Day from and excluding the day on which the last of the conditions precedent of the Subscription Agreement has been fulfilled or waived. At Completion, the Subscribers shall subscribe for, and the Company shall allot and issue to such Subscribers, their respective number of the Ordinary Subscription Shares, the Tranche A Preferred Shares and the Tranche B Preferred Shares.

Upon issuance at Completion, the 1,666,666,668 Ordinary Subscription Shares will be issued as fully paid, and the 2,683,333,332 new Preferred Shares will be issued as partly paid. The new Preferred Shares which are partly paid shares at Completion do not carry any voting right in the Company.

Upon Completion, the Subscribers shall be entitled to nominate any person to the Board for appointment as Director.

Lock-up undertakings

New Horizon (together with its beneficial owners, namely Kuang-Chi and Shenzhen Kuang-Chi Hezhong Technology Limited (深圳光啟合眾科技有限公司)) undertakes and covenants with the Company that, among other things, without the prior written consent of the Company, it shall not, dispose, transfer or sell all and any of (i) the Ordinary Subscription Shares, the Tranche A Preferred Shares and/or the Tranche B Preferred Shares; or (ii) Conversion Shares derived as a result of the conversion of any Tranche A Preferred Shares and Tranche B Preferred Shares, subscribed by and issued to it at Completion pursuant to the Subscription Agreement within two years from the Completion Date, save and except for transfers among the Subscribers.

Starbliss, Grand Consulting, Lucky Time and Cutting Edge each separately undertakes and covenants (together with their respective shareholders) with the Company that, among other things, without the prior written consent of the Company, Starbliss, Grand Consulting, Lucky Time and Cutting Edge shall not, dispose, transfer or sell all and any of (i) the Ordinary Subscription Shares within three months from the Completion Date; (ii) the Tranche A Preferred Shares and any Conversion Shares derived as a result of the conversion

of any Tranche A Preferred Shares within three months from the date on which such Tranche A Preferred Shares are fully paid up; and (iii) the Tranche B Preferred Shares and any Conversion Shares derived as a result of the conversion of any Tranche B Preferred Shares within one year from the date on which such Tranche B Preferred Shares are fully paid up, save and except for transfers among the Subscribers or otherwise with the consent of the Board.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors are of the view that the Subscription represents a valuable opportunity for the Group to bring in New Horizon as a solid strategic corporate investor which has extensive experience, strong expertise and a wide business network in the innovative technology industry in the PRC. The Directors consider that entering into the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunities as and when they arise; and (iv) enable the Company to develop a new business segment in parallel to its existing business. The Directors are confident that the Subscribers will bring in additional resources and investment opportunities to the Company which are beneficial to the Company and the Shareholders as a whole.

As set out in the Company's interim report for the six months ended 30 September 2013, the Group would closely monitor the conditions of paper product market and the property market and was prepared to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value to Shareholders. The Group has been actively seeking opportunities to broaden its revenue base.

The Directors are of the view that the innovative technology industry in the PRC offers attractive potential growth and return. Pursuant to the Outsourcing Technology Development Agreement, the WFOE (as principal) shall appoint Kuang-Chi (as developer) to research and develop a near space civil flying apparatus with a volume of not less than 10,000 cubic metre, which shall be equipped with communication facilities to be used in the range from ground level to near space and shall be able to fly at no less than 20 kilometres above sea level.

According to the information provided by New Horizon and Kuang-Chi, near space is the region of earth's atmosphere that lies between 20 kilometres to 100 kilometres above sea level, which is, in other words, higher than where the commercial aircrafts fly but below orbiting satellites. This region is subject to less electromagnetic interference from ionosphere and free from weather influences in the atmosphere, it therefore provides a stabler environment for the operating of communication devices. Comparing with satellites, the near space flying apparatus is expected to achieve higher cost efficiency because of lower material costs, lower maintenance costs, lower lifting costs, less signal loss with a closer distance from sea level and nonetheless more loading capacity.

The research results and related intellectual property rights arising from the development of the technologies as prescribed in the Outsourcing Technology Development Agreement shall be owned exclusively by the WFOE upon development of such technologies. Such

technologies will be applied to produce near space flying apparatus and it is the intention that the near space flying apparatus can be used to carry devices relating to communication solutions for maritime, land-based and aeronautical uses.

Kuang-Chi shall achieve the following research and development milestones pursuant to the Outsourcing Technology Development Agreement:

- (i) by 15 September 2014, complete the design and testing of the scaled flying apparatus;
- (ii) by 30 October 2014, complete the research and development of the required materials for the flying apparatus, and the inspection and delivery of such relevant materials; and
- (iii) by 31 December 2014, complete the testing of the flying apparatus and deliver the flying apparatus to the WFOE to conduct further test run.

The WFOE shall pay a research and development fee in RMB which is equivalent to HK\$55,000,000 to Kuang-Chi in the following manner:

- (a) an amount in RMB equivalent to HK\$20,000,000 upon signing of the Outsourcing Technology Development Agreement;
- (b) an amount in RMB equivalent to HK\$25,000,000 upon completion of the milestones (i) and (ii) above; and
- (c) an amount in RMB equivalent to HK\$10,000,000 upon delivery of the flying apparatus to the WFOE (together with the relevant technology information in writing) and acceptance by the WFOE under the terms of the Outsourcing Technology Development Agreement.

The fee payable pursuant to the Outsourcing Technology Development Agreement was agreed between the Company and Kuang-Chi after arm's length negotiations on a cost-plus basis having considered the cost and resources committed by Kuang-Chi on research in the near space flying apparatus technology and the incidental expenses plus a small margin.

The Directors consider that the Outsourcing Technology Development Agreement presents a good opportunity which helps the Group to develop a new business in the innovative technology sector in the PRC and to broaden its revenue base. Through contracting with Kuang-Chi for its assistance to perform research and development in the commercialisation of the near space civil flying apparatus technology, the Company will be able to establish its own capabilities in this new business step by step. The Company will consider arrangements to put in place appropriately skilled and experienced research and development staff in the related technology field to assist the development of the Company's new business. The Directors consider that the Outsourcing Technology Development Agreement is a practicable solution for advancing the Company's new business plan. The Directors envisage that funds to be raised in the Subscription may strengthen the Group's financial condition and that the Group will be in a better position to consider any possible attractive business development opportunities relating to the Group's principal business and also in the new innovative technology business. The Directors have no current intention to discontinue any of its existing businesses.

The Directors (excluding members of the Independent Board Committee, who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The Company has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Ordinary Shares as at the date of this announcement.

The table below sets out the effect of the Subscription on the shareholding structure of the Company immediately upon (i) Completion of the Subscription; (ii) conversion in full of the Tranche A Preferred Shares; and (iii) conversion in full of the Tranche A Preferred Shares and the Tranche B Preferred Shares, assuming no other Ordinary Shares will be issued between the date of this announcement and the date until all Tranche A Preferred Shares and Tranche B Preferred Shares have been fully converted:

| | As at the date of this announcement | | Immediately after the allotment and issue of the Ordinary Subscription Shares and before the allotment and issue of any Conversion Shares | | Immediately after completion of the Subscription and the conversion in full of the Tranche A Preferred Shares (Note 3) | | Immediately after completion of the Subscription and the conversion in full of the Tranche A Preferred Shares and the Tranche B Preferred Shares (Note 3) | |
|--|-------------------------------------|----------------|---|----------------|--|----------------|---|----------------|
| | Number of Ordinary Shares | % | Number of Ordinary Shares | % | Number of Ordinary Shares | % | Number of Ordinary Shares | % |
| World Treasure Global Limited (Note 1) | 638,981,013 | 44.08% | 638,981,013 | 20.50% | 638,981,013 | 14.33% | 638,981,013 | 11.02% |
| Mr. Ruan Yuan (Note 4) | 219,867,657 | 15.17% | — | — | — | — | — | — |
| The Subscribers | | | | | | | | |
| New Horizon | — | — | 1,133,333,334 | 36.37% | 2,045,666,667 | 45.89% | 2,958,000,000 | 51.01% |
| Starbliss | — | — | 155,555,556 | 4.99% | 280,777,778 | 6.30% | 406,000,000 | 7.00% |
| Grand Consulting | — | — | 77,777,778 | 2.50% | 140,388,889 | 3.15% | 203,000,000 | 3.50% |
| Lucky Time | — | — | 77,777,778 | 2.50% | 140,388,889 | 3.15% | 203,000,000 | 3.50% |
| Cutting Edge | — | — | 155,555,556 | 4.99% | 280,777,778 | 6.30% | 406,000,000 | 7.00% |
| REORIENT Global | — | — | 66,666,666 | 2.14% | 120,333,333 | 2.70% | 174,000,000 | 3.00% |
| <i>Subtotal</i> | — | — | 1,666,666,668 | 53.49% | 3,008,333,334 | 67.49% | 4,350,000,000 | 75.01% |
| RFML (Note 2) | 1 | — | 1 | — | 1 | — | 1 | — |
| Public Shareholders | | | | | | | | |
| Existing public Shareholders | 590,652,454 | 40.75% | 590,652,454 | 18.95% | 590,652,454 | 13.25% | 590,652,454 | 10.18% |
| Mr. Ruan Yuan (Note 4) | — | — | 219,867,657 | 7.06% | 219,867,657 | 4.93% | 219,867,657 | 3.79% |
| <i>Subtotal</i> | 590,652,454 | 40.75% | 810,520,111 | 26.01% | 810,520,111 | 18.18% | 810,520,111 | 13.97% |
| Total | 1,449,501,125 | 100.00% | 3,116,167,793 | 100.00% | 4,457,834,459 | 100.00% | 5,799,501,125 | 100.00% |

Note:

1. The 638,981,013 Ordinary Shares are beneficially owned by World Treasure Global Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Wong Hin Shek, an executive Director.
2. The one Ordinary Share held by RFML is a residue resulting from fractions of Ordinary Shares which were unallocated to brokerage clients of RFML when the Company conducted a bonus issue of Ordinary Shares in May 2012.
3. These columns are set out for illustration purpose only. The allotment and issue of the Conversion Shares are subject to the Tranche A Preferred Shares or the Tranche B Preferred Shares (as the case may be) having been fully paid up and the public float requirements under the Listing Rules, as further set out below.
4. Save for Mr. Ruan Yuan's shareholding in the Company of 10% or more as at the date of this announcement, Mr. Ruan Yuan is otherwise not a connected person of the Company. Upon Completion, Mr. Ruan Yuan's shareholding interest will fall below 10% of the number of issued Ordinary Shares and his holding in the issued Ordinary Shares will be considered as held in public hands.

Upon the exercise in full of the conversion rights attaching to the Tranche A Preferred Shares, the public float of the Company will fall below the minimum 25% threshold as required under Rule 8.08(1)(a) of the Listing Rules. Under the terms of the Preferred Shares, the Company's obligation to effect conversion of fully paid Preferred Shares into Conversion Shares shall be subject to the Company's compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. In the event the Preferred Shares are held by more than one holder and the headroom for conversion by the Company is insufficient to enable all of such Preferred Shares be converted in one batch, the Preferred Shares held by the relevant holders shall be converted by the Company on a pro-rata basis. The Company will ensure its compliance with the public float requirements under the Listing Rules at all times.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials and property investments.

INFORMATION ON THE SUBSCRIBERS

New Horizon is an investment holding company incorporated in the BVI with limited liability and is a 51%-owned indirect subsidiary of Kuang-Chi is a high-tech company established in the PRC and headquartered in Shenzhen, which principal business is the provision of solutions to innovative products by using new technology. Kuang-Chi has developed a series of innovative technology in Meta-RF electromagnetism modulate, metamaterial, intelligent photon etc. functioned in transmission of satellite, digital files, communications by phones, computers, etc. Kuang-Chi's business scope covers aerospace, wireless-connected and intelligent industry zone.

To finance the Subscription, New Horizon and Rosier entered into the Loan Agreement, which principal terms are as follows:

Date: 29 May 2014

Borrower: New Horizon

Lender: Rosier

Facility amount: HK\$181,640,000, to be drawn down on the following dates (or any other dates as may be notified by New Horizon to Rosier with at least one month's notice):

(i) HK\$97,965,334 on the Completion Date;

(ii) HK\$24,337,333 on the date falling six months after the Completion Date; and

(iii) HK\$59,337,333 on the date falling 12 months after the Completion Date

Final maturity date: 29 January 2016

Interest: 6.5% per annum

Repayment date: Unless otherwise waived by Rosier under the conditions of waiver of loan below, New Horizon shall repay the outstanding loan in one lump sum on the final maturity date

Security: A share charge to be given by New Horizon in favour of Rosier over 986,000,000 Ordinary Shares beneficially owned by New Horizon and as subscribed by it under the Subscription, which will be duly executed and dated as soon as practicable and in any event no later than three Business Days after the first loan advance is made

Waiver of loan conditions:

- (1) If on or prior to 1 February 2015 (the "First Benchmark Date"), New Horizon has provided evidence demonstrating the success of a test-flight for the flying apparatus under the circumstances as set out in the Loan Agreement, then 50% of the then outstanding loan amount and the interests then accrued thereon shall be waived by Rosier and be deemed reduced or repaid to the effect that, as of 5:00 p.m. of the First Benchmark Date, the then outstanding loan amount shall automatically be reduced to 50% thereof as of the date immediately prior to the First Benchmark Date.

- (2) If on or prior to 31 December 2015 (the “Second Benchmark Date”), New Horizon has provided evidence demonstrating substantiated business applications, development plans of commercial products, the entering into of any cooperative agreement and the development of such commercial products, then 100% of the then outstanding loan amount and the accrued interest thereon shall be waived by Rosier and be deemed reduced or repaid to the effect that, as of 5:00 p.m. of the Second Benchmark Date, the then outstanding loan amount and the accrued interests thereon shall automatically be reduced to zero.

Rosier is a company incorporated in the BVI with limited liability and is owned as to approximately 41.67% by Starbliss (ultimately wholly-owned by Mr. Ko Chun Shun, Johnson), approximately 14.58% by Grand Consulting (ultimately wholly-owned by Ms. Liu Shu Ling), approximately 14.58% by Lucky Time (ultimately wholly-owned by Ms. Guo Shanling) and approximately 29.17% by Cutting Edge (ultimately wholly-owned by Ms. Yu Nan). Rosier and its ultimate beneficial owners are third parties independent of the Company and its connected persons. On 29 May 2014, Starbliss, Mr. Ko Chun Shun, Johnson, Grand Consulting, Ms. Liu Shu Ling, Lucky Time, Ms. Guo Shanling, Cutting Edge and Ms. Yu Nan as shareholders or beneficial owners of Rosier entered into an undertaking. Each of Mr. Ko Chun Shun, Johnson, Ms. Liu Shu Ling, Ms. Guo Shanling and Ms. Yu Nan has undertaken to each of the other parties that he or she shall provide sufficient funding on behalf of his or her controlled company and shall procure his or her controlled company to in turn provide funding to Rosier by way of unsecured and interest-free shareholder’s loan pro-rata to the respective shareholdings in Rosier of his or her controlled company for the purpose of Rosier’s performance of its lending obligation under the Loan Agreement.

Starbliss is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly-owned by Mr. Ko Chun Shun, Johnson.

Grand Consulting is an investment holding company incorporated in the Republic of Seychelles with limited liability and is ultimately wholly-owned by Ms. Liu Shu Ling.

Lucky Time is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly-owned by Ms. Guo Shanling.

Cutting Edge is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly-owned by Ms. Yu Nan.

REORIENT Global, a company incorporated in Hong Kong with limited liability, is principally engaged in provision of administrative services and is a fellow subsidiary of RFML, one of the financial advisers to the Company. Both REORIENT Global and RFML are wholly-owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. REORIENT Group Limited is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services. Mr. Ko Chun Shun, Johnson, the sole beneficial owner of Starbliss (one of the Subscribers), is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited.

DEALING AND INTEREST OF THE SUBSCRIBERS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM IN THE SECURITIES OF THE COMPANY

As at the date of this announcement, save for the Subscription, the one Ordinary Share owned by RFML disclosed in the section headed “Effect on shareholding structure” above, the Loan Agreement disclosed in the section headed “Information on the Subscribers” above and the lock-up undertakings by the Subscribers (other than REORIENT Global) disclosed in the section headed “Lock-up undertakings” above, New Horizon has confirmed that, neither the Subscribers nor any parties acting in concert with any of them:

- (a) owns, controls or has direction over any outstanding options, warrants, or any securities that are convertible into Ordinary Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has received an irrevocable commitment to vote for the Subscription and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any of the Subscribers, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; or
- (f) had dealt in Ordinary Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Ordinary Shares, during the six months prior to the date of this announcement.

FUTURE INTENTIONS OF NEW HORIZON REGARDING THE GROUP

New Horizon intends to develop the innovative technology related business in the PRC in parallel to the Group’s existing business, with the main focus in the near space technology and the commercial utilisation of the near space flying apparatus to provide a lower-cost and higher quality communication and other services than satellites. As at the date of this announcement, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement. No agreements for any such possible future transactions or arrangements have been entered into.

USE OF PROCEEDS

The gross proceeds and the net proceeds from the Subscription are approximately HK\$348 million and approximately HK\$327 million respectively. The net proceeds are to be applied as follows:

- as to HK\$55 million for the payment of the research and development fee under the Outsourcing Technology Development Agreement; and
- as to the remaining balance of approximately HK\$272 million to fund future expansion and for general working capital of the Group.

The net proceeds raised per Subscription Share upon completion of the Subscription and payment in full of the Subscription Price will represent a net price of approximately HK\$0.075 per Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past 12 months immediately preceding to the date of this announcement.

APPLICATION FOR WHITEWASH WAIVER

Upon Completion, New Horizon (being one of the Subscribers) will be interested in 1,133,333,334 Ordinary Shares, representing approximately 78.19% of the number of issued Ordinary Shares as at the date of this announcement or approximately 36.37% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares (on the basis that no Preferred Shares shall then be convertible into Ordinary Shares and that there is no other change in the number of issued Ordinary Shares). Starbliss, Grand Consulting, Lucky Time, Cutting Edge and REORIENT Global, who are also the Subscribers, are considered as parties acting in concert with New Horizon. Upon full conversion of the Preferred Shares, New Horizon will in aggregate be interested in 2,958,000,000 Ordinary Shares, representing approximately 204.07% of the number of issued Ordinary Shares as at the date of this announcement and approximately 51% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares (assuming no adjustment to the conversion price is required in accordance with the terms of the Preferred Shares set out in the Subscription Agreement and that there is no other change in the number of issued Ordinary Shares).

Upon Completion, the Subscribers and their respective concert parties will in aggregate be interested in 1,666,666,669 Ordinary Shares, representing approximately 114.98% of the number of issued Ordinary Shares as at the date of this announcement and approximately 53.48% of the number of issued Ordinary Shares as enlarged by the allotment and issue of the Ordinary Subscription Shares (on the basis that no Preferred Shares shall then be convertible into Ordinary Shares and that there is no other change in the number of issued Ordinary Shares). Upon full conversion of the Preferred Shares, the Subscribers and their respective concert parties will in aggregate be interested in 4,350,000,001 Ordinary Shares, representing approximately 300.1% of the number of issued Ordinary Shares as at the date of this announcement and approximately 75% of the number of issued Ordinary Shares as

enlarged by the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares (assuming no adjustment to the conversion price is required in accordance with the terms of the Preferred Shares set out in the Subscription Agreement and that there is no other change in the number of issued Ordinary Shares).

Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and any parties acting in concert with any of them, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscribers will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Ordinary Subscription Shares and the Conversion Shares upon full conversion of the Preferred Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Subscribers and their respective concert parties in the Company will exceed 50% upon Completion. The Subscribers and their respective concert parties may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

RECLASSIFICATION AND REDESIGNATION OF SHARES AND AMENDMENT TO BYE-LAWS

As one of the conditions precedent to the Subscription, the Board proposes to reclassify and redesignate the existing shares of the Company of HK\$0.01 each in the authorised share capital of the Company into 7,316,666,668 Ordinary Shares of HK\$0.01 each and 2,683,333,332 Preferred Shares of HK\$0.01 each, and among others, approve the rights of each of such class of shares, such that following such redesignation and reclassification, the authorised share capital of the Company will be HK\$100,000,000 divided into 7,316,666,668 Ordinary Shares and 2,683,333,332 Preferred Shares with the rights, privileges and restrictions set out thereto. The above reclassification and redesignation is conditional upon passing of an ordinary resolution by Independent Shareholders at the SGM under the Redesignation Resolution.

The Board further proposes to amend the Bye-laws to, among others, reflects (i) the reclassification and redesignation of shares of the Company such that the authorised share capital of the Company will be changed from HK\$100,000,000 divided into 10,000,000,000 shares of the Company to HK\$100,000,000 divided into 7,316,666,668 Ordinary Shares and 2,683,333,332 Preferred Shares; and (ii) the creation and issue of Preferred Shares with the rights, privileges and restrictions set out thereto. Further information of the amendments will be stated in the circular to be despatched to the Shareholders. The above amendments to the Bye-laws are conditional upon, among others, the passing of the special resolution by Independent Shareholders at the SGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms and conditions of the Subscription and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to make recommendation to the Independent Shareholders as to their voting on the proposed resolution approving the Whitewash Waiver at the SGM. The appointment of Nuada Limited as the independent financial adviser has been approved by the Independent Board Committee.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver.

The SGM will be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Redesignation Resolution and the amendment to Bye-laws. The voting in relation to the Subscription (including the Specific Mandate), the Whitewash Waiver, the Redesignation Resolution and the amendment to Bye-laws at the SGM will be conducted by way of a poll whereby (i) for the purpose of the Subscription (including the Specific Mandate), the Redesignation Resolution and the amendment to Bye-laws, any Shareholders and its associates who have material interest in the Subscription (including the Specific Mandate), the Redesignation Resolution and the amendment to Bye-laws shall abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription (including the Specific Mandate), the Redesignation Resolution and the amendment to Bye-laws; and (ii) for the purpose of the Whitewash Waiver, the Subscribers and their respective concert parties and other Shareholders who are interested or involved in the Subscription (including the Specific Mandate) and/or the Whitewash Waiver shall abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver. RFML holds one Ordinary Share as at the date of this announcement. Save for RFML (being an associate of REORIENT Global and Starbliss (being two of the Subscribers)), none of the Shareholders had a material interest in the Subscription (including the Specific Mandate), the Whitewash Waiver, the Redesignation Resolution or the amendment to Bye-laws as at the date of this announcement. Accordingly, RFML shall abstain from voting at the SGM in respect of the resolutions relating to the Subscription (including the Specific Mandate), the Whitewash Waiver, the Redesignation Resolution and the amendment to Bye-laws. Save for the one Ordinary Share owned by RFML, the Subscribers and their respective concert parties do not currently hold any Ordinary Shares and accordingly will not be entitled to vote on any of the resolutions at the SGM.

A circular containing, among other things, (i) information of the Subscription, the Whitewash Waiver, the Redesignation Resolution and the amendment to Bye-laws; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from independent financial adviser to the Independent Board Committee in relation to the Subscription and the Whitewash Waiver; and (iv) a notice convening the

SGM will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code, and is expected to be despatched on or before 4 July 2014.

RESUMPTION OF TRADING

At the request of the Company, trading in the Ordinary Shares has been suspended with effect from 9:00 a.m. on 30 May 2014. An application has been made by the Company for the resumption of trading in the Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 16 June 2014.

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the SGM by the Independent Shareholders of the Subscription and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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|---------------------|--|
| “acting in concert” | has the same meaning as ascribed to it under the Takeovers Code |
| “associate(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (other than Saturday or Sunday or public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business |
| “BVI” | British Virgin Islands |
| “Bye-laws” | Bye-laws of the Company |
| “Company” | Climax International Company Limited (stock code: 439), a company incorporated in Bermuda with limited liability and the Ordinary Shares of which are listed on the Main Board of the Stock Exchange |

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|-------------------------------|---|
| “Completion” | completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement |
| “Completion Date” | the date on which Completion occurs |
| “connected person(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Conversion Share(s)” | Ordinary Share(s) to be issued upon conversion of the Preferred Share(s) |
| “Cutting Edge” | Cutting Edge Global Limited |
| “Director(s)” | director(s) of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “Grand Consulting” | Grand Consulting Management S.A. |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board established by the Board, comprising all the non-executive Directors, namely Mr. Wong Hung Ki, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver and as to voting |
| “Independent Shareholders” | (a) for the purpose of the Subscription (including the Specific Mandate), the Redesignation Resolution and the amendment to Bye-laws, Shareholders other than the Subscribers, their respective associates and other Shareholders who have a material interest in the Subscription (including the Specific Mandate), the Redesignation Resolution and the amendment to Bye-laws; and (b) for the purpose of the Whitewash Waiver, Shareholders other than the Subscribers and their respective concert parties and any other Shareholders who are interested or involved in the Subscription (including the Specific Mandate) and/or the Whitewash Waiver |
| “Kuang-Chi” | Kuang-Chi Innovative Technology Limited (深圳光啟創新技術有限公司) |

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| “Last Trading Day” | 29 May 2014, being the last trading day of the Ordinary Shares immediately prior to the date of this announcement |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Loan Agreement” | the facility agreement entered into between New Horizon and Rosier dated 29 May 2014 in respect of the revolving credit facility in the aggregate principal amount of HK\$181,640,000 |
| “Long Stop Date” | 31 October 2014 (or such other date as may be agreed by the parties to the Subscription Agreement in writing) |
| “Lucky Time” | Lucky Time Global Limited |
| “New Horizon” | New Horizon Wireless Technology Limited |
| “Ordinary Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company as at the date of this announcement, or the ordinary shares of HK\$0.01 each in the share capital of the Company after the passing of the Redesignation Resolution |
| “Ordinary Shares Subscription” | the subscription of the Ordinary Subscription Shares under the Subscription Agreement |
| “Ordinary Subscription Shares” | 1,666,666,668 new Ordinary Shares, in aggregate, to be subscribed by the Subscriber(s) |
| “Outsourcing Technology Development Agreement” | an agreement to be made between the WFOE as principal and Kuang-Chi as developer at Completion in relation to the development of certain technology |
| “PRC” | the People’s Republic of China (which for the purpose of the Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan) |
| “Preferred Share(s)” | after the Redesignation Resolution having been passed, 2,683,333,332 convertible preferred shares of HK\$0.01 each in the capital of the Company, comprising the Tranche A Preferred Shares and the Tranche B Preferred Shares |

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|----------------------------|---|
| “Redesignation Resolution” | the ordinary resolution to be passed by the Independent Shareholders in general meeting reclassifying and redesignating the existing shares of the Company of HK\$0.01 each in the authorised share capital of the Company into 7,316,666,668 Ordinary Shares of HK\$0.01 each and 2,683,333,332 Preferred Shares of HK\$0.01 each, and among others, approving the rights of each of such class of shares, such that following such redesignation and reclassification, the authorised share capital of the Company will be HK\$100,000,000 divided into 7,316,666,668 Ordinary Shares and 2,683,333,332 Preferred Shares with the rights, privileges and restrictions set out thereto |
| “REORIENT Global” | REORIENT Global Limited |
| “RFML” | REORIENT Financial Markets Limited |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Rosier” | Rosier Investments Limited |
| “SFC” | the Securities and Futures Commission |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “SGM” | a special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Subscription and the transactions contemplated thereunder (including the Specific Mandate), the Whitewash Waiver, the Redesignation Resolution and the amendment to Bye-laws |
| “Shareholder(s)” | holder(s) of Ordinary Share(s) |
| “Specific Mandate” | the specific mandate to be granted by the Independent Shareholders to the Board at the SGM for the allotment and issue of the Subscription Shares and the Conversion Shares |
| “Starbliss” | Starbliss Holdings Limited |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber(s)” | New Horizon, Starbliss, Grand Consulting, Lucky Time, Cutting Edge and REORIENT Global, or any of them as the context may suggest |
| “Subscription” | the subscription of the Subscription Shares under the Subscription Agreement |

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|---|--|
| “Subscription Agreement” | the subscription agreement entered into between the Company and the Subscribers dated 29 May 2014 |
| “Subscription Price” | HK\$0.08 per Subscription Share |
| “Subscription Shares” | collectively, the Ordinary Subscription Shares, the Tranche A Preferred Shares and the Tranche B Preferred Shares |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong as amended from time to time |
| “Tranche A Preferred Shares” | 1,341,666,666 new Preferred Shares, in aggregate, to be subscribed by the Subscribers |
| “Tranche A Preferred Shares Subscription” | the subscription of the Tranche A Preferred Shares under the Subscription Agreement |
| “Tranche B Preferred Shares” | 1,341,666,666 new Preferred Shares, in aggregate, to be subscribed by the Subscribers |
| “Tranche B Preferred Shares Subscription” | the subscription of the Tranche B Preferred Shares under the Subscription Agreement |
| “WFOE” | a wholly-foreign owned subsidiary of the Company to be established under PRC laws as a party to the Outsourcing Technology Development Agreement |
| “Whitewash Waiver” | a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all of the Ordinary Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and any parties acting in concert with any of them which would, if the Subscription proceeds, otherwise arise as a result of Completion and full conversion of the Preferred Shares |
| “%” | percentage |

By order of the Board
Climax International Company Limited
Wong Hin Shek
Executive Director

Hong Kong, 13 June 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wong Hin Shek and Mr. Ng Man Chan; one non-executive Director, namely Mr. Wong Hung Ki; and three independent non-executive Directors, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.

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

The sole director of New Horizon, namely, Mr. Liu Ruopeng, accepts full responsibility for the accuracy of the information relating to the Subscribers contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by the Subscribers have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.