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BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED
貴聯控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1008)

CONTINUING CONNECTED TRANSACTION

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders**

AmCap
Ample Capital Limited
豐盛融資有限公司

A letter from the Independent Board Committee is set out on page 9 of this circular.

A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 18 of this circular.

15 April 2014

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DEFINITIONS

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

“2010 Agreement”	the master sales agreement entered into between Jinfeihuan and Xiangfan Cigarette Factory dated 28 December 2010 in respect of the sale of the Package Products to the Hubei Tobacco Group
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	Brilliant Circle Holdings International Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“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
“Hubei Tobacco Group”	湖北中煙工業有限責任公司 (China Tobacco Hubei Industrial Co., Ltd. [#]) and its subsidiaries including, but not limited to, Xiangfan Cigarette Factory
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Master Sales Agreement (including the Sales Cap)

DEFINITIONS

“Independent Financial Adviser” or “Ample Capital”	Ample Capital Limited, a corporation licensed to carry out business in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement
“Independent Shareholders”	Shareholders other than the Hubei Tobacco Group and its associates
“Jinfeihuan”	襄陽金飛環彩色包裝有限公司 (Xiangyang Jinfeihuan Colour Package Co., Ltd. [#]), formerly known as 襄樊金飛環彩色包裝有限公司 (Xiangfan Jinfeihuan Colour Package Co., Ltd. [#]), a sino-foreign equity joint venture established in the PRC, which is an indirect non-wholly owned subsidiary of the Company principally engaged in the business of printing of cigarette packages
“Latest Practicable Date”	10 April 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the master sales agreement entered into between Jinfeihuan and Xiangfan Cigarette Factory dated 20 March 2014 in respect of the sale of the Package Products to the Hubei Tobacco Group
“Package Products”	the cigarette packages and related services to be sold by the Group and purchased by the Hubei Tobacco Group pursuant to the Master Sales Agreement
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Caps”	the maximum annual sales amounts of the Package Products as set out in the Master Sales Agreement

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiangfan Cigarette Factory”	襄樊捲煙廠 (Xiangfan Cigarette Factory [#]), a company established in the PRC with limited liability which is a substantial shareholder of Jinfeihuan and a member of the Hubei Tobacco Group
“%”	per cent.

[#] The English name is not an official name and is provided for reference only.

LETTER FROM THE BOARD

BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED

貴聯控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1008)

Executive Directors:

Mr. Tsoi Tak (*Chairman*)

Mr. Cai Xiao Ming, David (*Chief Executive Officer*)

Mr. Qin Song

Mr. Kiong Chung Yin, Yttox

Non-executive Director:

Mr. Sean Xing He

Independent non-executive Directors:

Mr. Lam Ying Hung, Andy

Mr. Lui Tin Nang

Mr. Siu Man Ho, Simon

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

***Head office and principal place of
business in Hong Kong:***

18th Floor

No. 111 Leighton Road

Causeway Bay

Hong Kong

15 April 2014

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTION

BACKGROUND

Reference is made to the announcement and the circular of the Company dated 1 February 2011 and 28 March 2011 respectively in relation to, among other matters, the 2010 Agreement for the sales of the Package Products by the Group for a term of three years up to 31 December 2013. As the 2010 Agreement has been expired, the Board announced on 20 March 2014 that the Master Sales Agreement was entered into to renew the 2010 Agreement for a further term of 3 years.

The purpose of this circular is to provide you with further details of the Master Sales Agreement, the Sales Caps, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and other information relating to the Group and the Directors.

LETTER FROM THE BOARD

THE MASTER SALES AGREEMENT

Date : 20 March 2014

Parties : (i) 襄陽金飛環彩色包裝有限公司 (Xiangyang Jinfeihuan Colour Package Co., Ltd.[#]), a 79.6% owned subsidiary of the Company; and
(ii) 襄樊捲煙廠 (Xiangfan Cigarette Factory[#])

Xiangfan Cigarette Factory is a company established in the PRC with limited liability which is a substantial shareholder of Jinfeihuan interested in 20.4% of its registered capital. Accordingly, Xiangfan Cigarette Factory is a connected person of the Company.

Subject matters:

Pursuant to the Master Sales Agreement, Jinfeihuan has agreed to sell (or shall procure the Group to sell) the Package Products, and Xiangfan Cigarette Factory shall purchase (or shall procure its subsidiary(ies), fellow subsidiary(ies) and/or holding company to purchase) the Package Products for a term of 3 years commencing from 1 January 2014, subject to approval by the Independent Shareholders. It is also provided that the selling price of the Package Products shall be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favourable than the terms available to independent third parties.

The Sales Caps under the Master Sales Agreement are set out below:

	Year ending 31 December 2014 (RMB million)	Year ending 31 December 2015 (RMB million)	Year ending 31 December 2016 (RMB million)
Sales Caps	<u>107</u>	<u>131</u>	<u>161</u>

In determining the Sales Caps, the Board has taken into account: (i) the amount of sales of the Package Products by the Group to Xiangfan Cigarette Factory in the past; (ii) the expected increase in the average selling price of the Package Products of 2% for each of the three years ending 31 December 2014, 2015 and 2016; and (iii) the estimated growth in demand in quantity from the Hubei Tobacco Group of 20% for each of the three years ending 31 December 2014, 2015 and 2016. The estimated increase in the average selling price of 2% is based on the general inflation in the PRC by reference to the consumer price index for 2013 of about 2.5% increase on a year-to-year basis. The estimated increase in quantity of 20% is based on the historical decrease in quantity in 2012 of about 27% and the historical increase in quantity of 38% in 2013.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE MASTER SALES AGREEMENT

The Group is principally engaged in the printing of cigarette packages for PRC cigarette manufacturers and provision of printing services to customers including international publishers and multi-national corporations.

The Group has been selling the Package Products to the Hubei Tobacco Group in the past. For each of the three years ended 31 December 2013 and the period from 1 January 2014 to 20 March 2014 (being the date of the Master Sales Agreement), sales of the Package Products by the Group to the Hubei Tobacco Group amounted to about RMB86 million, RMB66 million, RMB88 million and RMB7 million¹ respectively. Although it is not expressly mentioned in the Master Sales Agreement, payment terms given to the Hubei Tobacco Group in the past and currently were/are standardized at 90 days' credit. To the best knowledge and information of the Directors, Hubei Tobacco Group is a sizeable enterprise in the PRC specializing in tobacco production and distribution. It is the sole cigarette manufacturer in Hubei Province, the PRC. The Group has business relationship with the Hubei Tobacco Group for more than 15 years and is at present one of its key cigarette package printing companies. The strategic relationship between the Group and the Hubei Tobacco Group has ensured that the Group will continue to be one of the key cigarette package printing companies for them and thus, allow the Group to have a stable turnover with respect to its business in Hubei Provinces, the PRC. The Master Sales Agreement is a renewal of the 2010 Agreement for a further 3 years.

In recent years, all cigarette manufacturers in the PRC are required to go through a tender process to source the cigarette package printing services. Under this tendering system, all interested and pre-approved printing companies including the Group will tender their design, selling price and technology involved etc. to the cigarette manufacturer for bidding. The selling price in the tender is usually made by reference to the existing selling price of the provision of the cigarette printing services and the prices that are expected to be offered by the competitors. Accordingly, the selling price of the successful bidder shall be on normal commercial terms and any successful bidder will follow the pricing terms as set out in the tender document for all transactions with the relevant cigarette manufacturer for the term of the tender (which is about 2 years). As part of its internal control, the Board has its own internal procedure and guideline given to all relevant staff to monitor the pricing of the cigarette packages to be sold to the cigarette manufacturers including the Hubei Tobacco Group, which shall be in accordance with the accepted tender. The Listing Rules have also required: (i) the independent non-executive Directors to have an annual review and to give a confirmation in the annual report of the Company to ensure that the transactions under the Master Sales Agreement are in the Company's ordinary and usual course of business, on normal commercial terms (or on terms no less favourable to the Company than terms available to independent third parties), carried out in accordance with the Master Sales Agreement, and fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the auditors of the

¹ The transactions under the Master Sales Agreement from 1 January 2014 to 20 March 2014 fall within de minimis transactions pursuant to Rule 14A.33(3)(b) of the Listing Rules as the relevant percentage ratios (other than the profit ratio) were all less than 1%.

LETTER FROM THE BOARD

Company to give a confirmation to the Board that the transactions under the Master Sales Agreement have received the approval from the Board, are in accordance with the pricing policies of the Group; have been entered into in accordance with the Master Sales Agreement and have not exceeded the Sales Caps.

Based on the above, the Directors (including the independent non-executive Directors) consider that the entering into of the Master Sales Agreement is in the ordinary course of business of the Group and that the terms of Master Sales Agreement (including the Sales Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors have a material interest in the Master Sales Agreement and the transaction contemplated thereunder.

LISTING RULES IMPLICATION

Given that the Xiangfan Cigarette Factory is a connected person of the Company and that the transaction under the Master Sales Agreement is continuing in nature, the entering into of the Master Sales Agreement constitutes a continuing connected transaction of the Company under the Listing Rules. As the Sales Caps under the Master Sales Agreement exceed HK\$10,000,000 per annum, the transaction under the Master Sales Agreement shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hubei Tobacco Group and its associates do not hold any Shares, options or securities convertible or exchangeable into Shares. As no Shareholder has a material interest in the Master Sales Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Master Sales Agreement. Moreover, Mr. Tsoi Tak and Profitcharm Limited (a company whose entire issued share capital is owned by Mr. Tsoi Tak), together holding 760,015,134 Shares or approximately 51.06% of the shareholding of and voting rights in the Company at the Latest Practicable Date, have given their written approval for the Master Sales Agreement and the transactions contemplated thereunder. Accordingly, written approval from Mr. Tsoi Tak and Profitcharm Limited has been accepted in lieu of holding a general meeting of the Company for the approval of the Master Sales Agreement pursuant to Rule 14A.43 of the Listing Rules.

GENERAL

The Independent Board Committee comprising Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the terms of the Master Sales Agreement including the Sales Caps. Ample Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 9 of this circular. The Independent Board Committee, having taken into account the advice of Ample Capital, the text of which is set out on pages 10 to 18 of this

LETTER FROM THE BOARD

circular, considers that the Master Sales Agreement is entered into upon normal commercial terms after arm's length negotiations between the parties and that the terms of the Master Sales Agreement (including the Sales Caps) are fair and reasonable so far as the Independent Shareholders are concerned and the Master Sales Agreement (including the Sales Caps) is in the interests of the Company and the Shareholders as a whole.

No general meeting will be held to approve the Master Sales Agreement (and the Sales Cap) and the transactions contemplated thereunder.

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

Yours faithfully
For and on behalf of the Board
Brilliant Circle Holdings International Limited
Tsoi Tak
Chairman

BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED

貴聯控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1008)

15 April 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 15 April 2014 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Master Sales Agreement (including the Sales Caps) and to advise the Independent Shareholders as to the fairness and reasonableness of the Master Sales Agreement (including the Sales Caps). Ample Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 8 of the Circular, and the letter from Ample Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Master Sales Agreement (including the Sales Caps), as set out on pages 10 to 18 of the Circular.

Having taken into account the advice of Ample Capital, we consider that: (i) the Master Sales Agreement is on normal commercial terms; (ii) the terms of the Master Sales Agreement (including the Sales Caps) are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and (iii) the entering into of the Master Sales Agreement (including the Sales Caps) is in the interests of the Company and the Shareholders as a whole. We would recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) to approve the Master Sales Agreement if a general meeting were to be held to approve the Master Sales Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Lui Tin Nang

Lam Ying Hung, Andy

Siu Man Ho, Simon

LETTER FROM AMPLE CAPITAL

The following is the full text of the letter of advice from the Independent Financial Adviser in respect of the Master Sales Agreement, and is prepared for the purpose of incorporation into this circular.

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

15 April 2014

*To the Independent Board Committee and
the Independent Shareholders of
Brilliant Circle Holdings International Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Sales Agreement, the particulars of which have been set out in a circular to the Shareholders dated 15 April 2014 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Master Sales Agreement (including the Sales Caps) are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendations as to whether the Master Sales Agreement is in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) advise the Independent Shareholders on how to vote at the general meeting, if one were to be held to approve the Master Sales Agreement. Details of the reasons for the Master Sales Agreement are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM AMPLE CAPITAL

Given the Xiangfan Cigarette Factory is a connected person of the Company and the transaction under the Master Sales Agreement is continuing in nature, the entering into of the Master Sales Agreement constitutes a continuing connected transaction of the Company under the Listing Rules. As the Sales Caps under the Master Sales Agreement exceed HK\$10,000,000 per annum, the transaction under the Master Sales Agreement shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hubei Tobacco Group and its associates do not hold any Shares, options or securities convertible or exchangeable into Shares. As no Shareholder has a material interests in the Master Sales Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Master Sales Agreement. Moreover, Mr. Tsoi Tak and Profitcharm Limited (a company whose entire issued share capital is owned by Mr. Tsoi Tak), together holding 760,015,134 Shares or approximately 51.06% of the shareholding of and voting rights in the Company as at the Latest Practicable Date, have given their written approval for the Master Sales Agreement and the transactions contemplated thereunder. Accordingly, written approval from Mr. Tsoi Tak and Profitcharm Limited has been accepted in lieu of holding a general meeting of the Company for the approval of the Master Sales Agreement pursuant to Rule 14A.43 of the Listing Rules.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

LETTER FROM AMPLE CAPITAL

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Master Sales Agreement.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Master Sales Agreement, we have taken into consideration the following factors:

1. Information on the Group

As stated in the Board Letter, the Group is principally engaged in the printing of cigarette packages for PRC cigarette manufacturers and provision of printing services to customers including international publishers and multi-national corporations. Set out below is certain summary financial information as extracted from the Group's annual results announcement for the year ended 31 December 2013 (the "Annual Results Announcement"):

	Year ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	2,092,624	1,939,440
Profit attributable to owners of the Company	454,345	432,630

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
	(audited)	(audited)
Total assets	4,606,567	4,651,145
Total liabilities	1,711,230	2,168,889
Net assets attributable to owners of the Company	2,637,313	2,247,473

LETTER FROM AMPLE CAPITAL

We note that the Company recorded an audited revenue of approximately HK\$2,092,624,000 for the year ended 31 December 2013, representing an approximately 7.9% increase when compared with the audited revenue of approximately HK\$1,939,440,000 recorded during the year ended 31 December 2012. During the year ended 31 December 2013, the Company generated profit attributable to owners of the Company of approximately HK\$454,345,000 compared with profit attributable to owners of the Company of approximately HK\$432,630,000 recorded during the year ended 31 December 2012 which represents an increase of approximately 5.0%. The Annual Results Announcement attributes such increase to (i) consolidation of the full year results of the Giant Sino Group in 2013; and (ii) the increase in turnover as well as gross profit. As at 31 December 2013, the Company had audited total assets, total liabilities and net assets attributable to owners of the Company of approximately HK\$4,606,567,000, HK\$1,711,230,000 and HK\$2,637,313,000 respectively.

2. Reasons for entering into the Master Sales Agreement

As stated in the Board Letter, the Group has been selling the Package Products to Hubei Tobacco Group in the past. For each of the three years ended 31 December 2013 and the period from 1 January 2014 to 20 March 2014 (being the date of the Master Sales Agreement), sales of the Package Products by the Group to the Hubei Tobacco Group amounted to about RMB86 million, RMB66 million, RMB88 million and RMB7 million respectively. Although it is not expressly mentioned in the Master Sales Agreement, payment terms given to the Hubei Tobacco Group are standardized at 90 day's credit. To the best knowledge and information of the Directors, Hubei Tobacco Group is a sizeable enterprise in the PRC specializing in tobacco production and distribution. It is the sole cigarette manufacturer in Hubei Province, the PRC. The Group has business relationship with the Hubei Tobacco Group for more than 15 years and it is at present one of its key cigarette package printing companies. The strategic relationship between the Group and the Hubei Tobacco Group has ensured that the Group will continue to be one of the key cigarette package printing companies for them and thus, allow the group to have a stable turnover with respect to its business in Hubei Province, the PRC. The Master Sales Agreement is a renewal of the 2010 Agreement for a further 3 years.

The Board Letter further states that in recent years, all cigarette manufacturers in the PRC are required to go through a tender process to source the cigarette package printing services. Under this tendering system, all interested and pre-approved printing companies including the Group will tender their design, selling price and technology involved etc. to the cigarette manufacturer for bidding. The selling price in the tender is usually made by reference to the existing selling price of the provision of the cigarette printing services and the prices that are expected to be offered by the competitors. Accordingly, the selling price of the successful bidder shall be on normal commercial terms and any successful bidder will follow the pricing terms as set out in the tender document for all transactions with the relevant cigarette manufacturer for the term of the tender (which is about 2 years). As part of its internal control, the Board has its own internal procedure and guideline given to all relevant staff to monitor the pricing of the cigarette packages to be sold to the cigarette manufacturers including the Hubei Tobacco Group, which shall be in accordance with the accepted tender. The Listing Rules have also required (i) the independent non-executive Directors to have an annual review and to give

LETTER FROM AMPLE CAPITAL

a confirmation in the annual report of the Company to ensure that the transactions under the Master Sales Agreement are in the Company's ordinary and usual course of business, on normal commercial terms (or on terms no less favourable to the Company than terms available to independent third parties), carried out in accordance with the Master Sales Agreement, and fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the auditors of the Company to give a confirmation to the Board that the transactions under the Master Sales Agreement have received the approval from the Board, are in accordance with the pricing policies of the Group; have been entered into in accordance with the Master Sales Agreement and have not exceeded the Sales Caps.

Based on the above, the Directors consider that the entering into of the Master Sales Agreement is in the ordinary course of business of the Group and that the terms of the Master Sales Agreement (including the Sales caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. The Master Sales Agreement

3.1 *Principal terms*

Principal terms of the Master Sales Agreement as extracted from the Board Letter is set out below:

Date: 20 March 2014

Parties: (i) 襄陽金飛環彩色包裝有限公司 (Xiangyang Jinfeihuan Colour Package Co., Ltd.), a 79.6% owned subsidiary of the Company; and
(ii) 襄樊捲煙廠 (Xiangfan Cigarette Factory)

Xiangfan Cigarette Factory is a company established in the PRC with limited liability which is a substantial shareholder of Jinfeihuan interested in 20.4% of its registered capital. Accordingly, Xiangfan Cigarette Factory is a connected person of the Company.

Subject matters:

Pursuant to the Master Sales Agreement, Jinfeihuan has agreed to sell (or shall procure the Group to sell) the Package Products, and Xiangfan Cigarette Factory shall purchase (or shall procure its subsidiary(ies), fellow subsidiary(ies) and/or holding company to purchase) the Package Products for a term of 3 years commencing from 1 January 2014, subject to approval by the Independent Shareholders. It is also provided that the selling price of the Package Products shall be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiations or on terms no less favourable than the terms available to independent third parties.

LETTER FROM AMPLE CAPITAL

3.2 *Analysis on the terms of the Master Sales Agreement*

To determine the fairness and reasonableness of the Master Sales Agreement, we have obtained from the Group's management the particulars of a number of sample historical sales of the Package Products to the Hubei Tobacco Group during the year ended 31 December 2013. In addition, we have also obtained from the Group's management the particulars of a number of sample historical transactions of sales of comparable cigarette packing products similar to the Package Products to other independent third party customers of the Group during the year ended 31 December 2013. Upon a review of the aforementioned data we have obtained, we note that (i) the average gross profit margin from sales to the Hubei Tobacco Group was approximately 23.3%; and (ii) the average gross profit margin from sales to independent third party customers of the group was approximately 18.1%. Based on the above, the selling price of the Package Products were determined based on terms no less favourable than the terms available to independent third parties which is in line with the relevant provisions under the Master Sales Agreement.

With regards to the payment terms under the Master Sales Agreement, we note from the Board Letter that a 90 days credit term is given to Hubei Tobacco Group. In that connection, we have also obtained from the Group's management information on the payment terms of the aforementioned historical sales of products to the Hubei Tobacco Group and sales to other independent third party customers of the Group. From such historical sales, we note that a standard credit term of 90 days was given to both Hubei Tobacco Group and other independent third party customers.

Having considered the above, we are of the view that the terms of the Master Sales Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. **The Sales Caps**

As stated in the Board Letter, the Sales Caps under the Master Sales Agreement for the three years ending 31 December 2014, 2015 and 2016 are as follows:

	Year ending 31 December		
	2014	2015	2016
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sales Caps	<u>107</u>	<u>131</u>	<u>161</u>

LETTER FROM AMPLE CAPITAL

We also set out below the historical transaction amounts for the three years ended 31 December 2011, 2012 and 2013 as mentioned in section 2 of this letter.

	Year ended 31 December		
	2011	2012	2013
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Historical amount	<u>86</u>	<u>66</u>	<u>88</u>

The Board Letter further states that in determining the Sales Caps, the Board has taken into account: (i) the amount of sales of the Package Products by the Group to Xiangfan Cigarette Factory in the past; (ii) the expected increase in the selling price of the Package Products of 2% for each of the three years ending 31 December 2014, 2015 and 2016; and (iii) the estimated growth in demand from the Hubei Tobacco Group of 20% for each of the three years ending 31 December 2014, 2015 and 2016. The estimated increase in the average selling price of 2% is based on the general inflation in the PRC by reference to the consumer price index for 2013 of about 2.5% increase on a year-over-year basis. The estimated increase in quantity of 20% is based on the historical decrease in quantity in 2012 of about 27% and the historical increase in quantity of 38% in 2013. Our analysis on the basis adopted by the Board in determining the Sales Caps is set out below.

For the determination of the Sales Caps, we understand from the Group's management that they were determined with reference to (i) the historical total sales to Hubei tobacco Group during the year ended 31 December 2013 of approximately RMB88 million; (ii) an estimated annual growth rate in average price of 2% for each of the three years ending 31 December 2014, 2015 and 2016; and (iii) an estimated annual growth rate in quantity of 20% for each of the three years ending 31 December 2014, 2015 and 2016.

With regards to the 2% annual growth assumption for price in the Sales Cap calculation, we note that as per the 國家統計局 (National Bureau of Statistics of China), the consumer price index (CPI) in the PRC for December 2013 increased by 2.5% year-over-year. Accordingly, the assumption of increase in the average selling price of 2% as adopted by the Company in the Sales Cap calculation is within the general rate of inflation in the PRC during 2013.

In connection with the 20% annual growth assumption for quantity in the Sales Cap calculation, we have obtained from the Group's management the fluctuations in quantity of sales for all of the historical transactions with the Hubei Tobacco Group in the two years ended 31 December 2012 and 2013 which is set out below:

	Year ended 31 December	
	2012	2013
Annual change in quantity	-26.9%	+37.5%

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Based on the above, we note that within the two years ended 31 December 2012 and 2013, the change in quantity can reach a maximum annual growth of approximately 37.5% in the year ended 31 December 2013. The maximum historical annual growth rate in quantity within the two years ended 31 December 2012 and 2013 represents a meaningful reference for the upper limit of annual growth rate in quantity in the calculation of the Sales Caps for each of the three years ending 31 December 2014, 2015 and 2016. Based on the above, the annual growth rate of 20% for quantity adopted in the calculation of the Sales Cap fall within the maximum historical annual growth rate for the two years ended 31 December 2012 and 2013 of approximately 37.5% for change in quantity.

We consider that it is reasonable to use the aforementioned maximum historical annual growth in quantity of sales in the historical transactions with the Hubei Tobacco Group as a point of reference for the growth rate adopted in the calculation of the Sales Caps for the following reasons:

- (i) The maximum historical annual growth rate in quantity of sales serve as reasonable references to estimated future growth.
- (ii) Adopting the maximum historical growth as reference points would mitigate the chance of the Sales Caps being too small to cover the future transaction amounts under the Master Sales Agreement. In the event that the Sales Caps are indeed insufficient to cover the future transactions amount, the Company will have to recomply with the requirements of the Listing Rules by seeking for the Shareholders' approval of revised annual caps which will result in additional administrative costs to be borne by the Company.

We note that the transactions under the Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group which are also of a revenue nature to the Group, and the terms of the Master Sales Agreement are fair and reasonable as discussed in section 3.2 of this letter. In addition, we also note that (i) the transaction amount of approximately RMB88 million for the year ended 31 December 2013 represents an approximately 33.3% increase from the transaction amount of approximately RMB66 million for the year ended 31 December 2012; and (ii) the proposed growth rate assumptions adopted in the Sales Cap calculation are within this growth in historical transaction amount. Having considered the aforementioned factors, we are of the view that the Sales Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Master Sales Agreement (including the Sales Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, we consider that the transactions under the Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Master Sales Agreement if a general meeting were to be held to approve the Master Sales Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Vice President

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange to be disclosed in this circular:

(i) The Company

Name of Director	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Mr. Tsoi Tak (Note 1)	Beneficial owner and Interest of controlled corporation	760,015,134	Long	51.06%
Mr. Cai Xiao Ming, David (Note 2)	Interest of controlled corporation	91,441,758	Long	6.14%
Mr. Qin Song	Beneficial owner	321,062	Long	0.02%

Notes:

1. 485,689,856 Shares are held by Mr. Tsoi Tak in his personal name. 274,325,278 Shares are held by Profitcharm Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Tsoi Tak.
2. These Shares are held by Sinorise International Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Cai Xiao Ming, David.

(ii) Associated corporation

Name of associated corporation	Name of owner	Capacity	Number of shares held in the associated corporation	Approximate percentage of issued share capital
Profitcharm Limited	Mr. Tsoi Tak	Beneficial owner	200 shares of US\$1.00 each (L)	100%

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange to be disclosed in this circular.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Notes	Nature of interest	No. of Shares held	Approximate percentage of issued share capital
Profitcharm Limited	1	Beneficial owner	274,325,278 (L)	18.4%
Sinorise International Limited	2	Beneficial owner	91,441,758 (L)	6.1%
Ares BCH Holdings L.P.	4	Beneficial owner	183,034,214 (L)	12.3%
ACOF Asia Management L.P.	4	Controlled Corporation	183,034,214 (L)	12.3%
Ares Management (Cayman) Ltd.	4	Controlled Corporation	183,034,214 (L)	12.3%
Partners Group Holding AG	3	Beneficial owner	50,961,240 (L)	7.0%

(L) denotes long position

Notes:

1. Profitcharm Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Tsoi Tak. Mr. Tsoi Tak is also the director of Profitcharm Limited.
2. Sinorise International Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Cai Xiao Ming, David. Mr. Cai Xiao Ming, David is also the director of Sinorise International Limited.
3. The number of Shares held by Partners Group Holding AG was filed on or about 23 September 2011. As such, the Board believes that the number of Shares reported may not reflect: (i) the subdivision of one issued share of HK\$0.01 in the capital of the Company into two Shares effective on 11 June 2013; and (ii) the scrip dividend of HK5.9 cents paid by the Company to all Shareholders for the year ended 31 December 2012.
4. Mr. Sean Xing He, a non-executive Director, joined Ares Management (Cayman), Ltd. in March 2010 and is a director of Ares Management (Cayman), Ltd. Ares Management (Cayman), Ltd. is the general partner of ACOF Asia Management, L.P. which is the general partner of Ares BCH Holdings, L.P.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such share capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed above, none of the Director is a director or employee of the companies which have an interest or short position in the Shares or underlying shares of the Company.

(c) Director's interests in contracts and assets

As at the Latest Practicable Date,

- (i) there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group; and
- (ii) none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(d) Competing business

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

3. SERVICE CONTRACT

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

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2013, being the date of which the latest audited financial statement of the Group were made up.

5. EXPERT'S QUALIFICATION AND CONSENT

Ample Capital is a licensed corporation to carry out type 4, type 6 and type 9 regulated activities under the SFO which has provided its opinion contained in this circular.

Ample Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ample Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal office of the Company in Hong Kong for a period of 14 days from the date of this circular:

- (a) the 2010 Agreement; and
- (b) the Master Sales Agreement.