
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Junefield Department Store Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



JUNEFIELD DEPARTMENT STORE GROUP LIMITED
莊勝百貨集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

**(I) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;
(II) PROPOSED CHANGE OF COMPANY NAME; AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 35 of this circular. A letter from an Independent Committee of the Board of the Company is set out on pages 36 to 37 of this circular. A letter from Optima Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 78 of this circular.

A notice convening the SGM of the Company to be held at Forum Room II-III, Basement 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 23 July 2018 at 11:00 a.m. is set out on pages 87 to 89 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy previously submitted shall be deemed to be revoked.

SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS SHOULD BE AWARE THAT THE SUBSCRIPTION AGREEMENT AND THE TRANSACTION CONTEMPLATED THEREUNDER ARE SUBJECT TO THE FULFILMENT OF THE SUBSCRIPTION CONDITIONS, AND THEREFORE THE PROPOSED ISSUE OF THE CONVERTIBLE BONDS MAY OR MAY NOT PROCEED. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE REMINDED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

29 June 2018

* For identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	36
LETTER FROM OPTIMA CAPITAL	38
APPENDIX – GENERAL INFORMATION	79
NOTICE OF SGM	87

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 1 June 2018
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond Conditions”	the terms and conditions on which the Convertible Bonds shall be issued by the Company
“Bondholder(s)”	the holder(s) or joint holders of the Convertible Bond(s) in whose name(s) the Convertible Bond(s) is registered in the register of bondholders maintained by the Company
“Business Day(s)”	a day on which banks are open for ordinary banking business in Hong Kong, other than a Saturday, Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Company”	Junefield Department Store Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of Stock Exchange with the stock code 758
“Composite Document”	the offer and response document together with the form of acceptance and transfer to be despatched to the Shareholders and the Optionholders pursuant to the Offers
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.6217 per Conversion Share, being the initial conversion price at which the Conversion Shares will be allotted and issued upon the exercise of the Conversion Rights, subject to adjustment pursuant to the Bond Conditions

DEFINITIONS

“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company on the exercise of the Conversion Rights pursuant to the Bond Conditions
“Convertible Bond(s)”	the convertible bonds in the principal amount of HK\$100,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Current Market Price”	the average of the closing price per Share for the twenty (20) consecutive Trading Days ending on the Trading Day immediately preceding such date
“Director(s)”	the director(s) of the Company, from time to time
“Fair Market Value”	with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined in good faith by an authorised financial adviser, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such authorised financial adviser) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five (5) Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded
“First Supplemental Agreement”	a supplemental agreement to the Subscription Agreement dated 31 May 2018 entered into by the Company as issuer, the Subscriber as the subscriber and the Investor
“Group”	the Company and its subsidiaries
“Guarantor” or “Mr. Zhou”	Mr. Zhou Chu Jian He, the executive Director of the Company and the chairman of the Board
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to issue the Conversion Shares
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM
“Independent Third Party(ies)”	any person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Investor”	an Independent Third Party of the Company who initially intended to subscribe certain amount of the Convertible Bonds but is no longer a subscriber for the Subscription pursuant to the First Supplemental Agreement
“Last Trading Day”	9 May 2018, being the date of the Subscription Agreement
“Latest Practicable Date”	25 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling 2 years from the date of issue of the Convertible Bonds

DEFINITIONS

“Memorandum”	the memorandum dated 7 April 2018 in relation to the disposal of the Sale Shares and the subscription of Convertible Bonds
“Memorandum Announcement”	the announcement dated 12 April 2018 issued by the Company in relation to the entering into of the Memorandum
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Subscriber and parties acting in concert with it
“Offers”	together the Share Offer and the Option Offer
“Options”	outstanding share options granted by the Company under its share option scheme adopted by the Company in the special general meeting of the Company dated 29 June 2009
“Option Offer”	the possible unconditional mandatory cash general offer to be made by CMBC Securities Company Limited for and on behalf of the Subscriber for cancellation of all the outstanding Options pursuant to Rule 26.1 of the Takeovers Code
“Optionholder(s)”	holder(s) of the Option(s)
“Proposed Change of Company Name”	the proposed change of the English name of the Company from “Junefield Department Store Group Limited” to “Macrolink Capital Holdings Limited” and the adoption and registration of a Chinese name of “新華聯資本有限公司” as the secondary name of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 May 2018 entered into by the Selling Shareholder as the vendor, the Subscriber as the purchaser and the Guarantor in respect of the sale and purchase of 697,837,417 Sale Shares by the Selling Shareholder to the Subscriber as supplemented and amended by the SPA Supplemental Agreement
“Sale and Purchase Completion”	the completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement

DEFINITIONS

“Sale and Purchase Completion Date”	the date on which the Sale and Purchase Completion shall take place
“Sale and Purchase Condition(s)”	the condition(s) precedent to the Sale and Purchase Completion
“Sale and Purchase Long Stop Date”	30 September 2018 (or such later date as may be agreed between the parties to the Sale and Purchase Agreement)
“Sale Shares”	697,837,417 Shares, legally and beneficially owned by the Selling Shareholder
“Second Supplemental Agreement”	a second supplemental agreement to the Subscription Agreement (as supplemented and amended by the First Supplemental Agreement) dated 22 June 2018 entered into by the Company as issuer and the Subscriber as the subscriber
“Selling Shareholder” or “PCI”	Prime Century Investments Limited, a company incorporated in the British Virgin Islands which holds the Sale Shares as at the date of this circular, and wholly and beneficially owned by Mr. Zhou
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened and held for considering and if thought fit, approving, among others, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Proposed Change of Company Name
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Offer”	the possible unconditional mandatory cash general offer to be made by CMBC Securities Company Limited for and on behalf of the Subscriber for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code

DEFINITIONS

“SPA Supplemental Agreement”	a supplemental agreement to the Sale and Purchase Agreement dated 31 May 2018 entered into between the Selling Shareholder, the Subscriber and the Guarantor
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Macrolink”	Macrolink International Holdings Limited (新華聯國際控股有限公司), a company incorporated in the Cayman Islands with limited liability
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement and the transactions contemplated thereunder
“Subscription Agreement”	the conditional subscription agreement dated 9 May 2018 and entered into by the Company as issuer, the Subscriber as the subscriber and the Investor as supplemented and amended by the Supplemental Agreements
“Subscription Completion”	completion of the subscription of the Convertible Bonds pursuant to the Subscription Agreement
“Subscription Completion Date”	the date on which the Subscription Completion shall take place
“Subscription Conditions”	the conditions precedent set out in the sub-section headed “Conditions Precedent for the Subscription Completion” in this circular
“Supplemental Agreements”	together the First Supplemental Agreement and the Second Supplemental Agreement
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Trading Day(s)”	a day when the Stock Exchange is open for trading in Hong Kong
“%”	per cent

LETTER FROM THE BOARD



JUNEFIELD DEPARTMENT STORE GROUP LIMITED
莊勝百貨集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

Executive Directors:

Mr. Zhou Chu Jian He (*Chairman*)
Mr. Zhang Min (*Chief Executive Officer*)
Mr. Zhou Jianren
Mr. Xiang Xianhong
Mr. Lei Shuguang

Non-Executive Director:

Mr. Jorge Edgar Jose Muñoz Ziches

Independent Non-Executive Directors:

Mr. Lam Man Sum, Albert
Mr. Cao Kuangyu
Mr. Cheung Ka Wai

Registered Office:

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

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

Rooms 2801 & 2802A, 28/F
Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

29 June 2018

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE AND
PROPOSED CHANGE OF COMPANY NAME**

INTRODUCTION

Reference is made to the Announcement in relation to, *inter alia*, the Sale and Purchase Agreement, the issue of Convertible Bonds under Specific Mandate and the Offers.

* For identification purposes only

LETTER FROM THE BOARD

Pursuant to the Sale and Purchase Agreement (which is supplemented and amended by the SPA Supplemental Agreement), the Selling Shareholder conditionally agreed to sell the Sale Shares and the Subscriber conditionally agreed to acquire the Sale Shares for a consideration of HK\$433,845,522.15 (equivalent to HK\$0.6217 per Sale Share). The Sale Shares represent approximately 66.75% of the existing issued share capital of the Company as at the date of this letter. The Sale and Purchase Completion is conditional in all respects upon fulfillment (or, as appropriate, waiver by the Subscriber pursuant to the Sale and Purchase Agreement) of the Sale and Purchase Conditions.

Pursuant to the Subscription Agreement (which is supplemented and amended by the Supplemental Agreements), the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe, in cash, for the Convertible Bonds with the principal amount of HK\$100,000,000 which can be converted into 160,849,284 Shares at the Conversion Price of HK\$0.6217 per Share, representing (a) approximately 15.39% of the issued share capital of the Company as at the date of this letter; and (b) approximately 13.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Board proposes to seek the approval of the Independent Shareholders for the Subscription and the allotment and issue of the Conversion Shares under Specific Mandate.

The main purpose of this letter is to provide you with, among other things, (i) details of the Subscription Agreement, the Supplemental Agreements and the granting of the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; (iv) the Proposed Change of Company Name; and (v) a notice convening the SGM.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date:	9 May 2018 (after trading hours)
Issuer:	the Company
Subscriber:	Macrolink

LETTER FROM THE BOARD

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

- Principal amount: HK\$100,000,000
- Maturity date: the date falling 2 years from the date of issue of the Convertible Bonds
- Interest: 5% per annum payable semi-annually in arrears
- Conversion rights: The Bondholder shall not be entitled to exercise the Conversion Rights unless in compliance with all of the following conditions:
- (a) No Conversion Rights may be exercised by the Bondholder unless (i) prior written confirmation has been given by the Bondholder to the Company that all the Shares (including the Conversion Shares issued or to be issued) held by such Bondholder, its associates (as defined under the Listing Rules) and persons acting in concert (as defined under the Takeovers Code) on the conversion date will not become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code; and (ii) the Company will be able to meet the public float requirement under the Listing Rules after the conversion; and
 - (b) Any conversion shall be made in amounts of not less than a whole multiple of HK\$3,000,000 on each conversion unless the principal amount of the outstanding Convertible Bond is less than HK\$3,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Bond shall be converted.
- Conversion Price: HK\$0.6217 per Conversion Share, subject to any adjustment from time to time, in accordance with the Bond Conditions
- Ranking of Conversion Shares: The Conversion Shares shall rank *pari passu* in all respects with all other Shares then in issue

LETTER FROM THE BOARD

Adjustments:

The Conversion Price is subject to adjustment upon the occurrence of the following events in relation to the Company:

- (a) If and whenever the Shares by reason of any consolidation, sub-division or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (b) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) If and whenever the Company shall pay or make any capital distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the date on which the capital distribution is publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made or if a record date is fixed therefor, immediately after such record date.

- (d) If and whenever the Company shall issue Shares to all Shareholders as a class by way of rights, or issue or grant to all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

where:

A = the number of Shares in issue immediately before such announcement;

B = the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C = the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (e) If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all Shareholders as a class by way of rights or grant to all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

LETTER FROM THE BOARD

where:

A = the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (f) In the event that the Company issues Shares by way of cash only (other than Shares issued upon the exercise of Conversion Rights or the exercise of any other right to convert (or exchange or subscribe for) Shares), or issues or grants any Share option, stock warrant or other rights to subscribe for or purchase Shares, and the issue price of each Share is lower than the Current Market Price on the last Trading Day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

where:

A = the number of Shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B = the number of Shares which the aggregate consideration receivable for the additional Shares to be issued upon the issue or grant would purchase at such Current Market Price per Share; and

C = the maximum number of Shares to be issued upon the issue or grant.

Such adjustment shall become effective on the date of the issue or grant.

Every adjustment to the Conversion Price shall be determined by the Directors of the Company in accordance with paragraphs (a) to (f) above and certified by (at the option of the Company) either the auditors of the Company for the time being or an authorised financial adviser.

In giving any certificate or making any adjustment to the Conversion Price, the auditors of the Company or (as the case may be) an authorised financial adviser as appointed by the Company shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Bondholder and all persons claiming through or under them respectively. Any costs and expenses incurred in connection with the appointment of the auditors or authorised financial adviser shall be borne by the Bondholder.

LETTER FROM THE BOARD

So long as the Convertible Bond is outstanding, and subject to any approvals otherwise given in writing by the Bondholder, the Company agrees and undertakes to the Bondholder to, as soon as possible and in any event not later than fourteen (14) Business Days after the announcement of the terms of any issue in relation to adjustment to the Conversion Price, give notice to the Bondholder advising it of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising its Conversion Rights pending such date.

Transferability:

The Convertible Bonds may be assigned or transferred subject to compliance with all the following conditions and with the prior approval of the Stock Exchange (if required):

- (a) the Bondholder has given written notification to the Company at least fourteen (14) Business Days prior to each proposed assignment or transfer and, unless otherwise approved by the Company, no assignment or transfer of the Convertible Bond shall be made to any connected person (as defined under the Listing Rules) of the Company as at the time of the transfer or assignment;
- (b) no assignment or transfer of the Convertible Bond may be made unless the proposed assignee or transferee has given the Company a written confirmation that it/he/she is not a connected person (as defined under the Listing Rules) of the Company; and
- (c) the principal amount to be transferred or assigned must be at least HK\$3,000,000 or integral multiples of HK\$3,000,000.

Redemption:

The Company will redeem all the outstanding Convertible Bonds at an amount of the principal amount of such outstanding Convertible Bonds with interest on the Maturity Date. The Company has no early redemption right under the Subscription Agreement.

LETTER FROM THE BOARD

Conversion Price

The Conversion Price of HK\$0.6217 per Conversion Share represents:

- (i) a discount of approximately 21.30% to the closing price of HK\$0.790 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.55% to the average closing price per Share of approximately HK\$0.824 per Share for the last five (5) consecutive Trading Days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 21.50% to the average closing price per Share of approximately HK\$0.792 per Share for the last ten (10) consecutive Trading Days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 139.12% over the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement;
- (v) a premium of approximately 140.04% over the average closing price per Share of approximately HK\$0.259 per Share for the last five (5) consecutive Trading Days immediately prior to 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement;
- (vi) a premium of approximately 140.97% over the average closing price per Share of approximately HK\$0.258 per Share for the last thirty (30) consecutive Trading Days immediately prior to 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement; and
- (vii) a premium of approximately 169.13% over the audited net asset value attributable to equity owners of the Company as at 31 December 2017 of approximately HK\$0.231 per Share based on 1,045,399,967 Shares in issue as at the date of the Announcement.

LETTER FROM THE BOARD

Basis for determining the conversion price

The Conversion Price and the Bond Conditions were determined after arm's length negotiations between the Company and the Subscriber, and are considered fair and reasonable after taking into account, among others, (i) the financial positions and performance of the Company, including the repetitive loss making in previous four years consecutively; (ii) uncertain prospect of the businesses of the Group; (iii) the provision of immediate funds to the Company for, amongst others, maintaining its loss-making businesses and repayment of loans by the issue of the Convertible Bonds; (iv) the Conversion Price represents a premium of approximately 169.13% over the audited net asset value attributable to equity owners of the Company of HK\$0.231 per Share as at 31 December 2017; and (v) the premium over the closing price per Share in the last Trading Day prior to the publication of the Memorandum Announcement as illustrated above; (vi) the premiums over the average closing prices per Share for certain periods prior to the publication of the Memorandum Announcement as illustrated above.

Conditions precedent for the Subscription Completion

The Subscription Completion is conditional in all respects upon fulfillment of the following conditions:

- (a) the Stock Exchange having approved or having no objection to the issue of the Convertible Bonds;
- (b) the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee;
- (c) Independent Shareholders approving the Subscription Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares) and passing the relevant resolution(s) at the SGM which are required for the transactions contemplated under the Subscription Agreement to be effective and in compliance with the Listing Rules; and
- (d) clearance of all necessary announcement(s) and circulars (if any) by the Stock Exchange to be issued by the Company in accordance with the Listing Rules and/or the Takeovers Code in respect of the Subscription Agreement and the transactions contemplated thereby.

LETTER FROM THE BOARD

None of the Subscription Conditions can be waived and none of the Subscription Conditions has been fulfilled as at the Latest Practicable Date. Pursuant to the Subscription Agreement, the Sale and Purchase Completion is not a condition precedent for the Subscription. However, it is provided in the Subscription Agreement that the Subscription Completion shall not take place unless the Sale and Purchase Completion and the Subscription Completion take place simultaneously.

Long stop date for the Subscription

Although no long stop date for the Subscription is expressly stipulated in the Subscription Agreement, the Sale and Purchase Long Stop Date in effect also applies to the Subscription because, as mentioned above, the Subscription Completion shall not take place unless the Sale and Purchase Completion and the Subscription Completion take place simultaneously. If the Sale and Purchase Conditions are not fulfilled or waived (if applicable) on or before the Sale and Purchase Long Stop Date (or such later date as may be agreed between the parties), the Sale and Purchase Agreement and all rights and obligations thereunder will cease and terminate, in which event the Sale and Purchase Completion will never take place. Since the Sale and Purchase Completion and the Subscription Completion must take place simultaneously, it follows that if the Sale and Purchase Completion will never take place, the Subscription Completion will never take place either. Therefore, the Sale and Purchase Long Stop Date is also applicable to the Subscription.

Subscription Completion

Subject to fulfilment of the Subscription Conditions, Subscription Completion shall take place on the Subscription Completion Date, at such place and at such time as agreed between the Company and the Subscriber in writing. The Subscription Completion shall not take place unless the Sale and Purchase Completion and the Subscription Completion take place simultaneously.

LETTER FROM THE BOARD

Events of default

If any of the events specified below (“**Events of Default**”) occurs, the Bondholder may give a written notice in respect of the Convertible Bonds to the Company declaring an Events of Default and electing that the Convertible Bonds be redeemed.

The relevant Events of Default are:

- (a) a default in the payment of any amount due in respect of the Convertible Bond when the same ought to be paid in accordance with the Bond Conditions;
- (b) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Bond Conditions and on its part to be performed or observed (other than the covenant to pay the principal) and such default is incapable of remedy, or if capable of remedy is not remedied within five (5) Business Days of service by the Bondholder on the Company, of notice requiring such default to be remedied;
- (c) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved;
- (d) any governmental or other authority expropriates, or threatens to expropriate, all or any substantial part of the business or assets of the Company save as permitted in the Bond Conditions;
- (e) an encumbrancer takes possession of or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company and such possession or appointment is not terminated within twenty-eight (28) Business Days of a written request by the Bondholder;
- (f) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property of the Company and is not discharged within twenty-eight (28) Business Days thereof;
- (g) the Company initiates or consents to proceedings relating to itself under any applicable reorganisation or insolvency law or makes an assignment for the benefit of, or enters into any composition with, its creditors generally;

LETTER FROM THE BOARD

- (h) proceedings are initiated against the Company under any applicable reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of thirty (30) Business Days;
- (i) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Bond Conditions or the Convertible Bond;
- (j) the Convertible Bond is not redeemed within five (5) Business Days from the date on which a written notice in respect of the Convertible Bond was given by the Bondholder to the Company declaring an Event of Default and electing that the Convertible Bond be redeemed;
- (k) the Convertible Bond is not redeemed on the Maturity Date of the Convertible Bond; and
- (l) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (k) above.

Reasons for and benefits of the Subscription

As set out in the annual reports of the Company published in recent years, we note that the performance of the Company's continuing operations has been deteriorating and recorded net loss for the past four (4) years. In 2017, the major reasons for the Group's revenue dropped significantly was (i) no turnover contribution from the businesses of the manufacture and sale of construction materials, coal mining and property development in Peru; and (ii) drop in turnover attributable from trading of mineral concentrates business due to the weak demand from the major customer in the People's Republic of China (the "PRC").

The Directors consider that the issue of the Convertible Bonds will provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders; and (ii) an opportunity for the Company, if the conversion rights attached to the Convertible Bonds are exercised, to enlarge and strengthen its capital base. It was noted that upon Subscription Completion and assuming full conversion of the Convertible Bonds by the Subscriber, the shareholding interest of the Shareholders (other than the Subscriber) would be diluted, details of which were included in "Effects on shareholding structure of the company" section of this letter.

LETTER FROM THE BOARD

The Directors have considered various alternative means of financing apart from the issue of the Convertible Bonds:

(i) Debt financing from banks or money lenders

The Company has considered negotiating with banks or money lenders for new loans for its financing needs. However, the management of the Company noted that bank loan applications may be subject to lengthy due diligence and negotiations with the banks which could not match the Group's schedule. The interest rates on the outstanding loans of the Group as at the Latest Practicable Date ranged from 8% to 9.5% per annum. As the Group has recorded losses attributable to Shareholders for four (4) consecutive years, the management of the Company considered that it would be difficult for the Company to secure an additional loan from bank or money lenders for a substantial principal amount at an interest rate lower than or equal to the interest rate of the Convertible Bonds of 5% per annum.

(ii) Straight bond

Having considered the fact that the Company will be released from the repayment obligation at maturity if the Convertible Bonds are fully converted prior to the maturity date of the Convertible Bonds, the Board is of the view that issue of the Convertible Bonds is more preferable than the issue of straight bond.

(iii) Other equity financing

The Directors have considered other equity financing such as placing of new Shares, rights issue or open offer of Shares. However, in light of the recent volatile stock market sentiment, the lackluster financial performance of the Group for the recent financial years and the thin liquidity of the Shares, the Directors consider that if the Company were to raise the necessary funds by way of placing or rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the prevailing market price of the Shares so as to attract subscription by the potential investors or Shareholders. In addition, placing or rights issue or open offer of new Shares is subject to underwriting uncertainty and market risk and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter and it may incur a higher transaction cost (such as underwriting and other fees). Further, placing or rights issue or open offer of new Shares will have immediate dilution effect on the shareholding interests of the non-participating Shareholders while the dilution effect of the Convertible Bonds will only occur when the holders exercise the conversion rights attaching to the Convertible Bonds.

LETTER FROM THE BOARD

Having taken into account of the above, the Directors are of the view that the issue of the Convertible Bonds is more favourable to the Company and its Shareholders when compared to other fund raising methods.

The Group recorded negative operating cash flows and losses attributable to owners of the Company for four (4) consecutive years. The cash (net of interest-bearing borrowings) as at 31 December 2017 was a negative balance of approximately HK\$6.6 million. The Group had a secured bank loan of approximately HK\$9.9 million from a local bank in Peru for financing its mining projects in Peru. The loan is denominated in United States dollars and secured by the Group's property, plant and equipment situated in Peru with aggregate carrying amount of approximately HK\$47.0 million as at 31 December 2017, bears interest at an annual rate of London Interbank Offered Rate plus 6.4% per annum and repayable in August 2020. The Group also had another secured loan from a money lender in the principal amount of HK\$25 million for general working capital needs of the Group. Such loan is denominated in Hong Kong dollars, at an interest rate of 8% per annum and repayable in January 2019, and was secured by the Group's investment properties with carrying amount of approximately HK\$39.2 million as at 31 December 2017 and corporate guarantee given by the Company. The interest-bearing borrowings of the Group also included an unsecured loan in the principal amount of approximately HK\$6 million, which is denominated in Renminbi at an interest rate of 9.5% per annum and repayable on demand. Having considered the Group's financial position, the Directors are of the view that it would be difficult for the Company to secure an additional loan from bank or money lenders for a substantial principal amount at an interest rate lower than or equal to the interest rate of the Convertible Bonds of 5% per annum.

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property investment and development, manufacture and sale of construction materials, securities investments, trading of mineral concentrates and coal mining. On one hand, the Company's business scope is diversified yet on the other hand, the Company is lack of focus in its business activities and might be a reason behind its lackluster financial performance, which in turn has elevated barriers to the Company's access to capital and increased its cost of raising funds. The Directors are of the view that with Macrolink as the subscriber, upon Subscription Completion, the Subscription will offer the Company an opportunity to strengthen the financial position of the Group and maintain and develop its existing business and future business, if any.

Having considered the above, the Directors (excluding the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the Convertible Bonds, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Use of proceeds and reasons for and benefits of the issue of the Convertible Bonds*

The gross proceeds from the issue of the Convertible Bonds will be HK\$100,000,000. The net proceeds from the issue of the Convertible Bonds, after the deduction of related expenses payable by the Company, are estimated to be approximately HK\$97,000,000. In light of the loss making by the Group recently, the Company, having consulted with the Subscriber, intends to apply the net proceeds from the issue of the Convertible Bonds to strengthen the financial position of the Group and for maintaining and developing its existing business and future business, if any, as set out below:

- (a) as to approximately 42% (or approximately HK\$40.7 million) of the net proceeds to maintain the securities investments business;
- (b) as to approximately 33% (or approximately HK\$32.0 million) of the net proceeds to maintain the trading of mineral concentrates business;
- (c) as to approximately 15% (or approximately HK\$14.6 million) of the net proceeds to repay existing borrowings; and
- (d) as to approximately 10% (or approximately HK\$9.7 million) of the net proceeds as general working capital.

The Group has invested in listed securities in Hong Kong and overseas for trading and long term purposes in the past few years. In view of the prosperity of the securities market in Hong Kong and the PRC, the Company intends to apply the above-mentioned 42% net proceeds (or approximately HK\$40.7 million) to invest in the listed securities of companies engaged in financial services in Hong Kong and/or the PRC with a view to generating dividend income and seizing capital appreciation in medium or long term. The Subscriber has over 20 years of experience in engaging in investment in A-shares and securities of Hong Kong in the PRC and Hong Kong respectively. The directors of the Subscriber, Mr. Fu Kwan, Mr. Zhang Bishu and Ms. Liu Jing, who will be appointed as Directors of the Company after the Subscription Completion in accordance with Rule 26.4 of the Takeovers Code, are currently acting as the directors of a few investment companies in the PRC and Hong Kong, with the belief of “value investment”, hoping to further develop the securities investment business of the Company so as to add value for the Shareholders.

* The information in this section in respect of the Subscriber and its directors is provided by the Subscriber.

LETTER FROM THE BOARD

As disclosed in the annual report of the Company for the year ended 31 December 2017, the trading of mineral concentrates business segment principally operates by sourcing mineral concentrates mainly from Ecuador and Peru and exporting them to the PRC customers. The Group's trading of mineral concentrates business continued to make gross profit, but nevertheless both the sales volume and gross profit margin declined due to the weak demand for mineral concentrates from its major customer in the PRC and keen competition in exploring local suppliers with stable supplies in Ecuador during the year under review. The Group recorded the revenue of approximately HK\$26,953,000 (2016: HK\$93,354,000) and net loss of approximately HK\$4,837,000 for 2017 (2016: profit of approximately HK\$5,694,000). As the Group has invested in South America for many years, it has a well-established sourcing network in Ecuador and Peru. To enhance the quantity of sales to its major customer, the Group is proactively exploring stable and widespread sources of mineral concentrates in South America and expects the performance of this segment would improve in the future.

As regards the trading of mineral concentrates business, the Company believes that it would be able to strengthen the financial performance of this segment with more available resources and therefore it intends to apply the above-mentioned 33% net proceeds (or approximately HK\$32.0 million) on the trading of mineral concentrates business and is considering to expand its trading portfolio to nickel. Further, the Subscriber possesses over 10 years of experience in trading of mineral business. The director of the Subscriber, Mr. Fu Kwan, who will be appointed as a Director of the Company after the Subscription Completion in accordance with Rule 26.4 of the Takeovers Code, also has over 12 years of experience in mineral trading business. He set up Macrolink Mineral Inc. (新華聯礦業有限公司), which is a subsidiary of Marcolink Group, as early as in 2006, engaging in the exploration in Indonesia and importation of nickel to the PRC for sale, and has built up good cooperation relationship with PT Central Omega Resources Tbk (央大資源公司), one of the three biggest nickel listed companies in Indonesia, with stock code DKFT. It also has the experience of trading nickel futures in the PRC. The Board believes that the Group could leverage on the Subscriber's experience and the business background to expand its trading business.

Prior to the Subscription Agreement, the Company had considered other financing alternatives such as secured bank borrowing, straight bonds, rights issue, and decided that the issue of the Convertible Bonds would be the most appropriate and timely fund raising method to meet the financial needs of the Company.

The Directors (excluding the members of the Independent Board Committee whose opinion have been set forth in the "Letter from the Independent Board Committee" of this circular after having been advised by Optima Capital in this regard) consider the terms of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the allotment and issue of Conversion Shares upon conversion of the Convertible Bonds) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Mr. Zhou is deemed to have a material interest in the Subscription Agreement and the transactions contemplated thereunder. Mr. Zhou and his brother, Mr. Zhou Jianren (“**Mr. Zhou JR**”) being also the executive Director, had abstained from voting on the Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, 697,837,417 Shares, being approximately 66.75% of the Company’s issued share capital, are held by PCI. PCI is a wholly-owned subsidiary of Junefield (Holdings) Limited (“**JHL**”) and Mr. Zhou is the beneficial owner of the entire issued share capital of JHL. No Shares are held by Mr. Zhou JR as at the Latest Practicable Date. Therefore, Mr. Zhou will also abstain from voting at the relevant ordinary resolutions in the SGM.

Equity fund raising activities by the Company in the past twelve months

The Company did not carry out any equity fund raising activities in the 12-month period immediately before the date of this letter.

Effects on shareholding structure of the Company

The following table sets out the shareholding structure of the Company (assuming no other changes to the issued share capital of the Company from the date of this letter) (i) as at the date of this letter; and (ii) immediately upon the Sale and Purchase Completion and the Subscription Completion and before the Offers:

	(i) As at the date of this letter Approximately		(ii) Immediately upon Sale and Purchase Completion and Subscription Completion and before the Offers Approximately	
	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue
Selling Shareholder	697,837,417	66.75%	–	–
Subscriber and parties acting in concert with it	–	–	697,837,417	66.75%
Other Shareholders	<u>347,562,550</u>	<u>33.25%</u>	<u>347,562,550</u>	<u>33.25%</u>
Total	<u>1,045,399,967</u>	<u>100.00%</u>	<u>1,045,399,967</u>	<u>100.00%</u>

LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company immediately upon the Sale and Purchase Completion (i) assuming exercise in full of the Conversion Rights but before exercise of the Options; (ii) assuming no exercise of the Conversion Rights but after exercise in full of the Options; and (iii) assuming exercise in full of the conversion rights attaching to the Convertible Bonds and of the Options:

	(i) Immediately after the exercise in full of the Conversion Rights (assuming no exercise of the Options) <i>(Note 1)</i> Approximately		(ii) Before exercise of the Conversion Rights (assuming full exercise of the Options) Approximately		(iii) Immediately after the exercise in full of the Conversion Rights (assuming full exercise of the Options) <i>(Note 1)</i> Approximately	
	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue
Subscriber	858,686,701	71.19%	697,837,417	65.92%	858,686,701	70.41%
Optionholders (<i>Note 2</i>)	-	-	13,280,000	1.25%	13,280,000	1.09%
Other Shareholders	<u>347,562,550</u>	<u>28.81%</u>	<u>347,562,550</u>	<u>32.83%</u>	<u>347,562,550</u>	<u>28.50%</u>
Total	<u><u>1,206,249,251</u></u>	<u><u>100.00%</u></u>	<u><u>1,058,679,967</u></u>	<u><u>100.00%</u></u>	<u><u>1,219,529,251</u></u>	<u><u>100.00%</u></u>

Notes:

1. This column is for illustration purpose only. Pursuant to the terms of the Subscription Agreement, the Conversion Rights will not be exercised by the holder of the Convertible Bonds and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
2. Upon full exercise of the Options, 13,280,000 new Shares will be issued to certain Directors.
3. The above shareholding table has not taken into account the acceptances of the Offer.

As shown in the above table, the shareholding in the Company held by the existing public Shareholders would be diluted from 33.25% as at the Latest Practicable Date to approximately 28.5% immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full and allotment and issue of new Shares upon exercise of all outstanding Options (assuming no other change to the issued share capital of the Company from the Latest Practicable Date). Having considered that the principal terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilution effect on the shareholding of existing public Shareholders is acceptable.

LETTER FROM THE BOARD

SALE AND PURCHASE AGREEMENT

Pursuant to the Subscription Agreement, Subscription Completion shall not take place unless the Sale and Purchase Completion and the transactions contemplated thereunder are completed simultaneously. It is therefore necessary to provide you with details of the Sale and Purchase Agreement and the transactions contemplated thereunder.

The terms of the Sale and Purchase Agreement are set out below:

Date: 9 May 2018 (after trading hours)

Parties:

Vendor: the Selling Shareholder

Purchaser: the Subscriber

Guarantor: the Guarantor

Number of Sale Shares: 697,837,417 Shares

Consideration: HK\$433,845,522.15 (HK\$0.6217 per Sale Share)

The Sale and Purchase Completion is conditional in all respects upon fulfillment (or, as appropriate, waiver by the Subscriber pursuant to the Sale and Purchase Agreement) of the Sale and Purchase Conditions, including Subscription Conditions having been fulfilled under the Subscription Agreement.

In the event that the Sale and Purchase Conditions above are not fulfilled or waived (if applicable) on or before the Sale and Purchase Long Stop Date (or such later date as may be agreed between the parties), the Sale and Purchase Agreement and all rights and obligations thereunder will cease and terminate.

The Sale and Purchase Completion shall take place on the Sale and Purchase Completion Date. Provided that all the Sale and Purchase Conditions are fulfilled or waived in accordance with the Sale and Purchase Agreement, the Sale and Purchase Completion shall take place simultaneously with the Subscription Completion and the transactions contemplated therein, unless the Sale and Purchase Conditions regarding the Subscription Conditions having been fulfilled under the Subscription Agreement is being waived by the Subscriber.

LETTER FROM THE BOARD

POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFER

As at the date of this letter, the Subscriber and parties acting in concert with it do not hold any Shares in the share capital or voting rights of the Company. Assuming no other changes to the issued share capital of the Company from the date of this letter, the Subscriber and parties acting in concert with it will be interested in a total of 697,837,417 Shares immediately after the Sale and Purchase Completion, representing approximately 66.75% of the issued share capital of the Company.

As such, the Subscriber will be required to make an unconditional mandatory cash general offer for all the issued Shares and cancellation of all the outstanding Options (other than those already owned or agreed to be acquired and subscribed by the Subscriber and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

As at the date of this letter, the Company has 1,045,399,967 ordinary Shares of par value of HK\$0.1 each in issue and 13,280,000 outstanding Options. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this letter.

Subject to and upon the Sale and Purchase Completion and the Subscription Completion, CMBC Securities Company Limited, for and on behalf of the Subscriber and in compliance with the Takeovers Code, will make the Offers to acquire all the Offer Shares and cancel all outstanding Options on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

The Share Offer

For every Offer Share held	HK\$0.6217 in cash
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The Option Offer

For every outstanding Option held and to be cancelled (with an exercise price of HK\$0.229 per new Share)	HK\$0.3927 in cash
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LETTER FROM THE BOARD

THE OFFERS ARE A POSSIBILITY ONLY. AS THE OFFERS WILL ONLY BE MADE, AMONG OTHERS, AFTER THE SALE AND PURCHASE COMPLETION AND THE SUBSCRIPTION COMPLETION, WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, THE OFFERS MAY OR MAY NOT PROCEED. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

INFORMATION ON THE GROUP AND THE SUBSCRIBER

The Company

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of property investment and development, the manufacture and sale of construction materials, securities investments, trading of mineral concentrates and coal mining.

The Subscriber*

The Subscriber is a company incorporated in the Cayman Islands with limited liability and is legally and beneficially owned:

- (a) as to approximately 42.06% by Truly Industry Investment Company Limited (which is in turn owned as to 70% by Mr. Fu Kwan (傅軍), who is currently the chairman of the board of directors and the president of Macrolink Group and also a member of the National Committee of the Chinese People's Political Consultative Conference, and 30% by Ms. Wu Xiangming (吳向明)). Mr. Fu Kwan found the Macrolink Group in the year of 1990. Macrolink Group is a comprehensive corporate covering various industries such as real estate, petroleum, mining, chemical engineering, finance, etc. Ms. Wu Xiangming is the wife of Mr. Fu Kwan. Mr. Fu Kwan has almost 28 years of experience and Ms. Wu Xiangming has more than 20 years of experience, in real estate, mining, petroleum, chemicals and investment industry;
- (b) as to approximately 17.29% by Famous Victory Limited (which is in turn wholly owned by Ms. Xiao Wenhui (肖文慧), who is currently the senior vice president of the Macrolink Group and used to be the chairman of Macrolink Mineral Inc. (新華聯礦業有限公司)). Macrolink Mineral Inc. was found in 2006 and engages in mineral industry. Ms. Xiao Wenhui has experience in mineral industry for more than 7 years;

* The information in this section is provided by the Subscriber.

LETTER FROM THE BOARD

- (c) as to approximately 13.84% by Vats Group Inc. (which is in turn wholly owned by Mr. Wu Xiangdong (吳向東), who has more than 10 years of experience in the investment industry in Hong Kong and is currently the chairman of Vats Liquor Chain Store Management Joint Stock Co., Ltd. (華致酒行連鎖管理股份有限公司)(“**Vats Liquor**”). Vats Liquor was found in 2005 and engages in wine industry;
- (d) as to approximately 13.45% by New Pacific Glory Limited (which is in turn wholly owned by Ms. Liu Jing (劉靜), who has more than 20 years of experience in the investment industry and is currently the senior vice president of Macrolink Group, the chairman of Chang-Shi Investment Limited (長石投資公司) and a director of Macrolink International Investment Co. Limited (新華聯國際投資公司)(“**Macrolink Investment**”). Macrolink Investment carries out business in investment industry in Hong Kong and in other overseas financial markets;
- (e) as to approximately 6.28% by Mr. Chung Shan Kwang (曾憲光), who has more than 15 years of experience in the investment industry and is a director of Macrolink Investment;
- (f) as to approximately 1.95% by Ms. Fu Shuangshuang (傅爽爽), who has worked for several multinational companies and has been the chairman of New Power Capital Investment Limited (新活力資本投資有限公司) since 2014;
- (g) as to approximately 1.68% by Dongyue Team Limited (which is a substantial shareholder of Dongyue Group Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code. 189), and is in turn wholly owned by Mr. Zhang Jianhong (張建宏), who is the chairman and chief executive officer of Dongyue Group Limited and has more than 20 years of experience in the chemical industry);
- (h) as to approximately 1.41% by Mr. Chan Yeuk (陳躍), who is a director of Macrolink Investment and has more than 15 years of experience in the investment industry;
- (i) as to approximately 1.40% by Mr. Xu Junqi (許君奇), who has been the chairman of Hualian China Industry Co., Ltd. (華聯瓷業股份有限公司) since 1994; and
- (j) as to approximately 0.64% by Ms. Tang Li (唐莉), who is currently working for Vats Liquor.

The Subscriber, Truly Industry Investment Company Limited, Famous Victory Limited, Vats Group Inc., New Pacific Glory Limited and Dongyue Team Limited are companies principally engaged in investment holding.

LETTER FROM THE BOARD

Subscriber's intention on the Group*

Following the close of the Offers, it is the intention of the Subscriber that the Group will continue to focus on the development of its existing businesses, and does not intend to introduce any major changes to the existing operations and businesses of the Group immediately after the Sale and Purchase Completion and the close of the Offers. The Subscriber intends to conduct a detailed review of the operations and business activities of the Group and formulate business strategies for the Group's long term development and will explore other business opportunities for the Group, including the feasibility of diversifying the income stream of the Group by exploring business and investment opportunities in different business areas, which may or may not include any assets and/or business acquisitions or disposals, fund raising, restructuring of the business and/or business diversification, which will be appropriate in order to enhance its growth. Subject to further investigation into the business opportunities in the related areas, the Subscriber will present suitable propositions to the Company in due course. However, the Board understands that as of the date of this letter, no such business opportunities have been identified by the Subscriber nor has the Subscriber entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group. Also, the Subscriber has not entered into any agreement, arrangements, understandings, intention or negotiations in relation to the continued employment of the employees, disposal and/or re-deployment of the assets (including fixed assets) of the Group, other than in its ordinary course of business. The Board is of the view that the Subscriber's plan in respect of the Company is in the best interest of the Company and the Shareholders as a whole.

SPECIFIC MANDATE

The Conversion Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders by way of poll at the SGM.

IMPLICATIONS UNDER THE LISTING RULES

As the Subscription Completion and the Sale and Purchase Completion will take place simultaneously, the Subscriber is deemed to be a connected person under Rule 14A.20 of the Listing Rules and the issue of the Convertible Bond to the Subscriber is deemed to be a connected transaction of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder will be subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. The Subscriber and its respective associates shall abstain from voting at the SGM in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

* *The information in this section is provided by the Subscriber.*

LETTER FROM THE BOARD

The Conversion Shares will be issued and allotted under the Specific Mandate to be sought at the SGM. As the Subscription Agreement is conditional upon the Sale and Purchase Completion, the Selling Shareholder is deemed to have a material interest in the Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes that the English name of the Company be changed from “Junefield Department Store Group Limited” to “Macrolink Capital Holdings Limited” and a Chinese name “新華聯資本有限公司” be adopted and registered as the secondary name of the Company, subject to the conditions below.

The Proposed Change of Company Name is subject to the passing of a special resolution by the Shareholders at the SGM, the Sale and Purchase Completion and the approval of the Registrar of Companies in Bermuda.

The Proposed Change of Company Name will take effect from the date on which the new English name (in place of the existing English name) and the Chinese secondary name are entered on the register by the Registrar of Companies in Bermuda. The Company will further carry out the necessary filing procedures with the Registrar of Companies in Hong Kong. Upon the Proposed Change of Company Name becoming effective, all existing Share certificates in issue bearing the current name of “Junefield Department Store Group Limited (with the Chinese name 莊勝百貨集團有限公司 (*for identification purpose only*))” will continue to be evidence of title to Shares of the Company and valid for trading, settlement and registration purposes, and the rights of the Shareholders will not be affected as a result of the change of the Company name. Should the Proposed Change of Company Name become effective, any issue of Share certificates thereafter will be in the new Company name and the securities of the Company will be traded on the Stock Exchange in the new Company name. There will not be any arrangement for the exchange of the existing Share certificates for new Share certificates bearing the new Company name. The Company logo will also be changed upon the change of the Company name.

The Board believes that the new name of the Company will better reflect the change of control of the Company after the Sale and Purchase Completion. The Board considers that the Proposed Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, has been established for the purpose of advising the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement.

Optima Capital, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder.

The letter from the Independent Board Committee is set out on pages 36 to 37 of this circular and the letter from Optima Capital is set out on pages 38 to 78 of this circular.

SGM

An SGM will be held on 23 July 2018 at 11:00 a.m. at Forum Room II-III, Basement 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, during which ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder including the Subscription and the grant of Specific Mandate to allot and issue the Conversion Shares. At the SGM, a special resolution will be proposed to the Shareholders to consider and approve the Proposed Change of Company Name.

The notice of the SGM is set out on pages 87 to 89 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the SGM to demand for voting on poll in respect of the ordinary resolution and special resolution to be proposed at the SGM in accordance with the bye-laws of the Company and Tricor Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to voting at the SGM regarding the Subscription Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter from Optima Capital which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into consideration in arriving at its advice.

The Directors (excluding (i) Mr. Zhou, who is deemed to have a material interest in the Subscription Agreement and the transactions contemplated thereunder and Mr. Zhou JR, both of whom have abstained from voting in the Board meeting and (ii) the members of the Independent Board Committee whose opinion have been set forth in the “Letter from the Independent Board Committee” of this circular after having been advised by Optima Capital in this regard) are of the opinion that the Subscription Agreement and the transactions contemplated thereunder are in normal commercial terms and fair and reasonable, and the entering into of the Subscription Agreement, while not in the ordinary and usual course of business of the Company, is in the interest of the Company and the Shareholders as a whole.

Accordingly, the Board (excluding (i) Mr. Zhou, who is deemed to have a material interest in the Subscription Agreement and the transactions contemplated thereunder and Mr. Zhou JR, both of whom have abstained from voting in the Board meeting and (ii) the members of the Independent Board Committee whose opinion have been set forth in the “Letter from the Independent Board Committee” of this circular after having been advised by Optima Capital in this regard) recommends that all Independent Shareholders vote in favour of the ordinary resolution approving the Subscription to be proposed at the SGM. You are advised to read the letter from the Independent Board Committee and the letter from Optima Capital mentioned above before deciding how to vote on the resolution to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully

By order of the Board

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

Zhang Min

Chief Executive Officer & Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



JUNEFIELD DEPARTMENT STORE GROUP LIMITED

莊勝百貨集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

29 June 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 29 June 2018 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Details of the advice of Optima Capital, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 38 to 78 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 35 of the Circular and the additional information set out in the appendix of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Subscription Agreement, and taken into account the principal factors and reasons mentioned in the letter from Optima Capital as set out on pages 38 to 78 of this circular, we are of the opinion that the Subscription Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement, while not in the ordinary and usual course of business of the Company, is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lam Man Sum, Albert

Mr. Cao Kuangyu

Mr. Cheung Ka Wai

Independent non-executive Directors

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in the Circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

29 June 2018

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription, which is part and parcel to the entire proposal which further includes the sale and purchase of the Sale Shares under the Sale and Purchase Agreement (the “**Share Sale**”) and the Offers that follow (the “**Proposal**”). Details of which are set out in the circular of the Company dated 29 June 2018 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM OPTIMA CAPITAL

On 9 May 2018, the Subscriber entered into the Sale and Purchase Agreement to acquire approximately 66.75% of the issued share capital of the Company as at the Latest Practicable Date from the Selling Shareholder for a consideration of approximately HK\$433,845,522.15 (equivalent to HK\$0.6217 per Sale Share). The Company also entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe, in cash, for the Convertible Bonds in the principal amount of HK\$100,000,000, which can be converted into 160,849,284 Shares at the Conversion Price of HK\$0.6217 per Conversion Share. The Conversion Shares represent (i) approximately 15.39% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Sale and Purchase Completion is conditional on the Subscription Completion. Pursuant to the Subscription Agreement, the Sale and Purchase Completion is not a condition precedent for the Subscription. However, it is provided in the Subscription Agreement that the Subscription Completion shall not take place unless the Sale and Purchase Completion and the Subscription Completion take place simultaneously. Upon Subscription Completion and Sale and Purchase Completion, the Subscriber and parties acting in concert with it will be interested in a total of approximately 66.75% of the issued share capital of the Company (assuming no change to the issued share capital of the Company from the Latest Practicable Date) and will therefore make the Offers under Rule 26.1 of the Takeovers Code.

As the Subscription Completion and the Sale and Purchase Completion will take place simultaneously, the Subscriber is deemed to be a connected person of the Company under Rule 14A.20 of the Listing Rules and the issue of the Convertible Bonds to the Subscriber is deemed to be a connected transaction of the Company which is subject to, among other things, the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company shall seek the Independent Shareholders' approval of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate). The Subscriber and its respective associates shall abstain from voting on the relevant resolutions at the SGM. As set out in the letter from the Board in the Circular, given the Sale and Purchase Completion is conditional upon the Subscription Completion, the Selling Shareholder is deemed to have a material interest in the Subscription Agreement and the transactions contemplated thereunder, and is required to abstain from voting in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, has been established to advise the Independent Shareholders in respect of the Subscription and on how they should vote in respect of the relevant resolution(s) to be proposed at the SGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM OPTIMA CAPITAL

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Subscription Agreement, the annual reports of the Company for the three years ended 31 December 2015 (the “**2015 Annual Report**”), 2016 (the “**2016 Annual Report**”), and 2017 (the “**2017 Annual Report**”), the supplementary announcement in relation to the 2017 Annual Report dated 29 May 2018 and the information set out in the Circular. We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Subscriber or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and as at the date of the Circular and will continue to be true up to the time of the SGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such representations.

We have not considered the tax and regulatory implications of the Subscription on the Independent Shareholders, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We are not associated or connected with the Company, its controlling shareholder, the Subscriber or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Proposal. Apart from normal professional fees paid or payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company that could reasonably be regarded as relevant to our independence. In the last two years, there has been no other engagement between the Company and us. Accordingly, we do not consider any conflict of interest arises for us in acting as the independent financial adviser on the Proposal.

LETTER FROM OPTIMA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

The Subscription forms part and parcel of the entire Proposal which involves:

- (i) The Share Sale and the Subscription: the Subscriber agreed to acquire approximately 66.75% interest in the Company as at the Latest Practicable Date from the Selling Shareholder on the condition that, among other things, the Subscription of the Convertible Bonds in the principal amount of HK\$100,000,000 by the Subscriber has been completed simultaneously; and
- (ii) The Offers: upon Subscription Completion and Sale and Purchase Completion, the Subscriber and parties acting in concert with it will be interested in approximately 66.75% of the issued share capital of the Company (assuming no change to the issued share capital of the Company from the Latest Practicable Date) and therefore is required to make the Offers.

In arriving at our opinion and recommendation, we have taken into account of the principal factors and reasons set out below:

1. Information of the Group

(a) Principal businesses of the Group

The Group is principally engaged in the businesses of property investment and development, manufacture and sale of construction materials, securities investments, trading of mineral concentrates and coal mining.

LETTER FROM OPTIMA CAPITAL

(b) Financial performance of the Group

The following table sets forth the audited consolidated statement of profit or loss of the Group for each of the three financial years ended 31 December 2015 (the “**FY2015**”), 2016 (the “**FY2016**”) and 2017 (the “**FY2017**”) respectively, as extracted from the annual reports of the Company:

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
CONTINUING OPERATIONS			
Revenue	36,275	154,401	298,688
– Property investment and development	4,289	27,571	3,383
– Securities investment	(432)	455	(4,109)
– Manufacture and sale of construction materials	–	25,983	58,294
– Trading of mineral concentrates	26,953	93,354	233,563
– Coal mining	–	5,055	7,557
– Others	5,465	1,983	–
Cost of sales and services	(31,038)	(147,551)	(279,100)
Gross profit	5,237	6,850	19,588
Other income and gains	21,723	3,490	3,450
Selling and distribution expenses	–	(949)	(1,716)
Administrative expenses	(46,374)	(39,771)	(61,847)
Other operating expenses	(34,603)	(13,306)	(15,311)
Fair value gains on investment properties	5,422	807	2,895
Fair value loss on convertible note			
– conversion option component	–	–	(4)
Loss arising from redemption of convertible note and conversion into available-for-sale investment	–	–	(6,893)
Impairment loss of available-for-sale investment	–	–	(1,956)
Gain on disposal of available-for-sale investment	4,394	3,568	–
Gain on reclassification of investment in an associate to available-for-sale investment	–	–	559
Impairment loss on other intangible assets	(14,782)	(11,686)	(10,978)

LETTER FROM OPTIMA CAPITAL

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Operating loss from continuing operations	(58,983)	(50,997)	(72,213)
Finance costs	(4,908)	(884)	(584)
Share of loss of an associate	–	–	(967)
Loss before tax from continuing operations	(63,891)	(51,881)	(73,764)
Income tax credit/(expense)	1,029	2,195	(201)
Loss for the year from continuing operations	(62,862)	(49,686)	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	–	(1,953)	(1,897)
Loss for the year	(62,862)	(51,639)	(75,862)
Attributable to:			
Owners of the Company	(44,895)	(36,495)	(69,434)
Non-controlling interests	(17,967)	(15,144)	(6,428)

LETTER FROM OPTIMA CAPITAL

FY2016 vs FY2015

The Group's revenue decreased by approximately HK\$144.3 million, or approximately 48.3%, from approximately HK\$298.7 million for FY2015 to approximately HK\$154.4 million for FY2016, which was mainly due to the substantial decrease in revenue contributed from the construction materials business and mineral concentrates business. As disclosed in 2016 Annual Report, the Group's manufacture and sale of construction materials business has been suspended in August 2016 after the suspension of supply of granulated steel slag by its sole supplier during FY2016. Accordingly, revenue from the manufacture and sale of construction materials business decreased by approximately 55.4% from approximately HK\$58.3 million for FY2015 to approximately HK\$26.0 million for FY2016. Revenue from the trading of mineral concentrates business also decreased significantly by approximately 60.0% from approximately HK\$233.6 million for FY2015 to approximately HK\$93.4 million for FY2016 as a result of the weakening demand of the products in the PRC market and fluctuation in global quoted prices for minerals during FY2016. As a result of the foregoing, the gross profit of the continuing operations of the Group decreased from approximately HK\$19.6 million for FY2015 to approximately HK\$6.7 million for FY2016.

Despite the decrease in the revenue of the Group, the loss attributable to owners of the Company decreased by approximately HK\$32.9 million, or approximately 47.4%, from approximately HK\$69.4 million for FY2015 to approximately HK\$36.5 million for FY2016. Such decrease was mainly attributable to the absences of net foreign exchange losses of approximately HK\$18.0 million, loss arising from redemption of convertible note and conversion into available-for-sale investment of approximately HK\$6.9 million and impairment loss of available-for-sale investment of approximately HK\$2.0 million recorded in the previous financial year, and the effect of which is partially offset by the aforesaid decrease in gross profit.

LETTER FROM OPTIMA CAPITAL

FY2017 vs FY2016

The Group's revenue decreased by approximately HK\$118.1 million, or approximately 76.5%, from approximately HK\$154.4 million for FY2016 to approximately HK\$36.3 million for FY2017. Such decrease was primarily due to the decrease in revenue contributed by property investment and development business and trading of mineral concentrates business as well as the absence of revenue generated from the manufacture and sale of construction materials business. The revenue generated from property investment and development business decreased by approximately HK\$23.3 million as the Group had not launched any sales of residential units during FY2017. Further, as discussed above, the Group's manufacture and sale of the construction materials business has been suspended since August 2016 and therefore the Group has not recorded any revenue from this business segment in FY2017. As regards the trading of the mineral concentrates business, the significant decrease in revenue of approximately 71.1% in FY2017 was mainly due to the keen competition and weak demand. In spite of the decrease in revenue, the gross profit only decreased slightly from approximately HK\$6.9 million for FY2016 to approximately HK\$5.2 million for FY2017.

The Group recorded an increase in loss attributable to owners of the Company from approximately HK\$36.5 million for FY2016 to approximately HK\$44.9 million for FY2017. The increase in loss attributable to owners of the Company was mainly due to the increase in other operating expenses of approximately HK\$21.3 million and the effect of which is partially offset by the one-off compensation received from the sole supplier of the manufacture and sale of construction materials business of approximately HK\$16.4 million.

LETTER FROM OPTIMA CAPITAL

(c) Financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2016 and 2017 respectively, as extracted from the annual reports of the Company, is set out below:

	As at 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current assets		
Property, plant and equipment	149,400	163,499
Investment properties	75,105	63,023
Prepaid land lease payments	19,399	19,676
Other intangible assets	66,779	78,766
Available-for-sale investment	2,064	5,939
Deferred tax assets	357	504
Total non-current assets	313,104	331,407
Current assets		
Stock of properties	5,768	5,539
Inventories	12,829	11,073
Loan and accounts receivable	1,502	12,690
Prepayments, deposits and other receivables	58,473	74,710
Amounts due from related companies	13,196	12,786
Financial instruments at fair value through profit or loss	1,047	1,479
Tax recoverable	86	86
Cash and bank balances	34,290	33,960
Total current assets	127,191	152,323
Current liabilities		
Account payable	5,169	15,666
Other payables and accruals	47,612	55,865
Interest-bearing bank and other borrowings	9,728	6,796
Amount due to the ultimate holding company and related companies	3,847	2,292
Tax payable	6,428	6,662
Total current liabilities	72,784	87,281

LETTER FROM OPTIMA CAPITAL

	As at 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current liabilities		
Interest-bearing bank and other borrowings	31,196	9,858
Deferred tax liabilities	41,667	41,873
Total non-current liabilities	72,863	51,731
Equity attributable to owners of the Company		
Share Capital	104,540	104,540
Reserves	137,296	174,298
Non-controlling interests	52,812	65,880
Total equity	294,648	344,718

As at 31 December 2017, total assets of the Group amounted to approximately HK\$440.3 million, representing a decrease of approximately 9.0% when compared with the same as at 31 December 2016.

Non-current assets amounted to approximately HK\$313.1 million as at 31 December 2017, accounting for approximately 71.1% of total assets, which primarily comprised (i) property, plant and equipment of approximately HK\$149.4 million; (ii) investment properties of approximately HK\$75.1 million; and (iii) other intangible assets of approximately HK\$66.8 million. The property, plant and equipment mainly consisted of (a) quarters, office units and parking lots located in Lima, Peru for the daily operation of the Group in Peru; (b) the land and buildings located in Hunan, the PRC and certain plant and machinery which are used for the manufacture and sale of construction materials; and (c) plant and machinery for production of coal. The investment properties represented 15 office premises located in Beijing, the PRC with aggregate gross floor area of approximately 1,584 square meter.

LETTER FROM OPTIMA CAPITAL

Other intangible assets as at 31 December 2017 were related carrying values of (i) a supplier contract of approximately HK\$36.2 million; (ii) exploration and evaluation assets of approximately HK\$23.5 million; and (iii) the mining rights of approximately HK\$7.1 million. The supplier contract represented the materials supply agreement embedded in the joint venture agreement regarding the establishment of an entity engaged in the manufacture and sale of construction materials business and the remaining amortisation period of which is approximately six years. The exploration and evaluation assets mainly represented the cost of acquisition of the exploration licences related to various coal and mineral mines in Peru (under the exploration and evaluation stage) and shall not be subjected to amortisation until they are placed in use. The mining rights represented the rights to conduct mining activities pertains to coal mines in Peru and are amortised on a unit of production basis over the estimated economic reserve of the mine.

Current assets, on the other hand, amounted to approximately HK\$127.2 million as at 31 December 2017, which mainly consisted of prepayments, deposits and other receivables of approximately HK\$58.5 million and cash and bank balances of approximately HK\$34.3 million. Prepayments, deposits and other receivables of the Group mainly represented the deposits paid by the Group to the vendors in relation to the trading of mineral concentrates of approximately HK\$29.3 million, and the prepaid value-added tax and other taxes of approximately HK\$14.5 million.

As at 31 December 2017, total liabilities of the Group amounted to approximately HK\$145.6 million, which mainly consisted of (i) other payables and accruals of approximately HK\$47.6 million; (ii) interest-bearing bank and other borrowings of approximately HK\$40.9 million; and (iii) deferred tax liabilities of approximately HK\$41.7 million. Other payables and accruals mainly represented the interest payables on the unsecured borrowings of approximately HK\$8.6 million, provision of land cost of approximately HK\$8.7 million, the provision of land appreciation tax of approximately HK\$5.3 million, advance payments received from customers of approximately HK\$7.5 million and other payable of approximately HK\$10.7 million.

LETTER FROM OPTIMA CAPITAL

The Group had a secured bank loan of approximately HK\$9.9 million from a local bank in Peru for financing its mining projects in Peru. The loan is denominated in United States dollars and secured by the Group's property, plant and equipment situated in Peru with aggregate carrying amount of approximately HK\$47.0 million as at 31 December 2017, bears interest at an annual rate of London Interbank Offered Rate plus 6.4% per annum and repayable in August 2020. The Group also had another secured loan from a money lender in the principal amount of HK\$25.0 million for general working capital needs of the Group. Such loan is denominated in HK dollars, at an interest rate of 8.0% per annum and repayable in January 2019, and is secured by the Group's investment properties with carrying amount of approximately HK\$39.2 million as at 31 December 2017 and corporate guarantee given by the Company. The interest-bearing borrowings of the Group also included an unsecured loan in the principal amount of approximately HK\$6.0 million, which is denominated in Renminbi at an interest rate of 9.5% per annum and repayable on demand.

2. Information of the Subscriber

As set out in the letter from the Board in the Circular, the Subscriber is a company incorporated in the Cayman Islands with limited liability and is legally and beneficially owned:

- (a) as to approximately 42.06% by Truly Industry Investment Company Limited (which is in turn owned as to 70% by Mr. Fu Kwan (傅軍), who is currently the chairman of the board of directors and the president of Macrolink Group and also a member of the National Committee of the Chinese People's Political Consultative Conference, and 30% by Ms. Wu Xiangming (吳向明)). Mr. Fu Kwan found the Macrolink Group in the year of 1990. Macrolink Group is a comprehensive corporate covering various industries such as real estate, petroleum, mining, chemical engineering, finance, etc. Ms. Wu Xiangming is the wife of Mr. Fu Kwan. Mr. Fu Kwan has almost 28 years of experience and Ms. Wu Xiangming has more than 20 years of experience, in real estate, mining, petroleum, chemicals and investment industry;
- (b) as to approximately 17.29% by Famous Victory Limited (which is in turn wholly owned by Ms. Xiao Wenhui (肖文慧), who is currently the senior vice president of the Macrolink Group and used to be the chairman of Macrolink Mineral Inc. (新華聯礦業有限公司)). Macrolink Mineral Inc. was found in 2006 and engages in mineral industry. Ms. Xiao Wenhui has experience in mineral industry for more than 7 years;
- (c) as to approximately 13.84% by Vats Group Inc. (which is in turn wholly owned by Mr. Wu Xiangdong (吳向東), who has more than 10 years of experience in the investment industry in Hong Kong and is currently the chairman of Vats Liquor Chain Store Management Joint Stock Co., Ltd. (華致酒行連鎖管理股份有限公司) (“**Vats Liquor**”)). Vats Liquor was found in 2005 and engages in wine industry;

LETTER FROM OPTIMA CAPITAL

- (d) as to approximately 13.45% by New Pacific Glory Limited (which is in turn wholly owned by Ms. Liu Jing (劉靜), who has more than 20 years of experience in the investment industry and is currently the senior vice president of Macrolink Group, the chairman of Chang-Shi Investment Limited (長石投資公司) and a director of Macrolink International Investment Co. Limited (新華聯國際投資公司) (“**Macrolink Investment**”). Macrolink Investment carries out business in investment industry in Hong Kong and in other overseas financial markets;
- (e) as to approximately 6.28% by Mr. Chung Shan Kwang (曾憲光), who has more than 15 years of experience in the investment industry and is a director of Macrolink Investment;
- (f) as to approximately 1.95% by Ms. Fu Shuangshuang (傅爽爽), who has worked for several multinational companies and has been the chairman of New Power Capital Investment Limited (新活力資本投資有限公司) since 2014;
- (g) as to approximately 1.68% by Dongyue Team Limited (which is a substantial shareholder of Dongyue Group Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code 0189), and is in turn wholly owned by Mr. Zhang Jianhong (張建宏), who is the chairman and chief executive officer of Dongyue Group Limited and has more than 20 years of experience in the chemical industry);
- (h) as to approximately 1.41% by Mr. Chan Yeuk (陳躍), who is a director of Macrolink Investment and has more than 15 years of experience in the investment industry;
- (i) as to approximately 1.40% by Mr. Xu Junqi (許君奇), who has been the chairman of Hualian China Industry Co., Ltd. (華聯瓷業股份有限公司) since 1994; and
- (j) as to approximately 0.64% by Ms. Tang Li (唐莉), who is currently working for Vats Liquor.

The Subscriber, Truly Industry Investment Company Limited, Famous Victory Limited, Vats Group Inc., New Pacific Glory Limited and Dongyue Team Limited are companies principally engaged in investment holding.

3. Reasons for and benefits of the Subscription and use of proceeds

The Group has recorded losses attributable to Shareholders for four consecutive years. As set out in the letter from the Board in the Circular, the significant decrease in revenue of the Group for FY2017 was mainly due to (i) the absences of revenue contribution from the manufacture and sale of construction materials business, coal mining business as well as the sales of residential projects; and (ii) decrease in revenue contributed from the trading of mineral concentrates business as a result of the weak demand.

LETTER FROM OPTIMA CAPITAL

As set out in the letter from the Board in the Circular, the Directors consider that the issue of the Convertible Bonds will provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders, which shall be discussed in the paragraph headed “6. Possible dilution on the shareholding interests of the Shareholders” below; and (ii) an opportunity for the Company, if the conversion rights attached to the Convertible Bonds are exercised, to enlarge and strengthen its capital base. Further, the Group had negative operating cash flow position in the past years and the cash balance of the Group only amounted to approximately HK\$34.3 million as at 31 December 2017. The Directors are of the view that, with such limited amount of capital, it would be difficult for the Group to turn around its loss making position or expand its businesses. As such, the Directors believe the Subscription represents an opportunity for the Company to strengthen the financial position of the Group and to maintain and develop its existing businesses and future businesses, if any.

As stated in the letter from the Board in the Circular, the net proceeds from the Subscription would amount to approximately HK\$97,000,000. The Company, having consulted with the Subscriber, plans to use the net proceeds from the issue of the Convertible Bonds (i) as to approximately HK\$40.7 million, representing approximately 42% of the net proceeds to maintain the securities investment business; (ii) as to approximately HK\$32.0 million, representing approximately 33% of the net proceeds to maintain the trading of mineral concentrates business; (iii) as to approximately HK\$14.6 million, representing approximately 15% of the net proceeds to repay existing borrowings; and (iv) as to the remaining of approximately HK\$9.7 million, representing approximately 10% of the net proceeds as general working capital of the Group.

As set out in the letter from the Board in the Circular, the Group has invested in listed securities in Hong Kong and overseas for trading and long term purposes in the past few years. In view of the prosperity of the securities market in Hong Kong and the PRC, the Company intends to apply the above-mentioned 42% of the net proceeds (or approximately HK\$40.7 million) to invest in the listed securities of companies engaged in financial services in Hong Kong and/or the PRC with a view to generate dividend income and seizing capital appreciation in medium or long term. The Subscriber has over 20 years of experience in engaging in investment in A-shares and securities of Hong Kong in the PRC and Hong Kong. The directors of the Subscriber, Mr. Fu Kwan, Mr. Zhang Bishu and Ms. Liu Jing who will be appointed as Directors of the Company after the Subscription Completion in accordance with Rule 26.4 of the Takeovers Code, are currently acting as the directors of a few investment companies in the PRC and Hong Kong, with the belief of “value investment”, hoping to further develop the securities investment business of the Company so as to add value for the Shareholders.

LETTER FROM OPTIMA CAPITAL

As set out in the letter from the Board in the Circular, the Group has a well-established sourcing network in Ecuador and Peru in respect of its trading of mineral concentrates business given it has invested in South America for many years. To enhance the quantity of sales to its major customer, the Group is proactively exploring stable and widespread sources of mineral concentrates in South America and expects the performance of this segment would improve in the future. The Company believes that it would be able to strengthen the financial performance of this segment with more available resources and therefore it intends to apply the above-mentioned 33% of the net proceeds (or approximately HK\$32.0 million) on the trading of mineral concentrates business and is considering to expand its trading portfolio to nickel. Further, the Subscriber possesses over 10 years of experience in trading of mineral business. The director of the Subscriber, Mr. Fu Kwan, who will be appointed as a Director of the Company after the Subscription Completion in accordance with Rule 26.4 of the Takeovers Code, has over 12 years of experience in mineral trading business. He set up Macrolink Mineral Inc. (新華聯礦業有限公司), which is a subsidiary of Marcolink Group, as early as in 2006, engaging in the exploration in Indonesia and importation of nickel to the PRC for sale, and has built up good cooperation relationship with PT Central Omega Resources Tbk (央大資源公司), one of the three biggest nickel listed companies in Indonesia, with stock code DKFT. It also has the experience of trading nickel futures in the PRC. The Board believes that the Group could leverage on the Subscriber's experience and the business background to expand its trading business.

The Subscription will provide additional funds for the Company and around 90% of the net proceeds of the Subscription are intended to be applied for the existing business development and for the enhancement of the short term liquidity of the Group. We consider the intended use and allocation of the proceeds of the Subscription are fair and reasonable.

As set out in the letter from the Board in the Circular, the Directors have considered various alternative means of financing apart from the issue of the Convertible Bonds:

(i) Debt financing from bank or money lenders

The Company has considered negotiating with banks or money lenders for new loans for its financing needs. However, the management of the Company noted that bank loan applications may be subject to lengthy due diligence and negotiations with the banks which could not match the Group's schedule. The interest rate on the outstanding loans of the Group as at the Latest Practicable Date ranged from 8.0% to 9.5% per annum. As the Group has recorded losses attributable to Shareholders for four consecutive years, the management of the Company considered that it would be difficult for the Company to secure an additional loan from bank or money lenders for a substantial principal amount at an interest rate lower than or equal to the interest rate of the Convertible Bonds of 5% per annum.

LETTER FROM OPTIMA CAPITAL

(ii) Straight bond

Having considered the fact that the Company will be released from the repayment obligation if the Convertible Bonds are fully converted prior to the maturity date of the Convertible Bonds, the Board is of the view that the issue of the Convertible Bonds is more preferable than the issue of straight bond.

(iii) Other equity financing

The Directors have considered other equity financing such as placing of new Shares, rights issue or open offer of Shares. However, in light of the lackluster financial performance of the Group for the recent financial years and the thin liquidity of the Shares, the Directors consider that if the Company were to raise the necessary funds by way of placing or rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the prevailing market price of the Shares so as to attract subscription by the potential investors or Shareholders. In addition, placing or rights issue or open offer of new Shares is subject to underwriting uncertainty and market risk and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter and it may incur a higher transaction cost (such as underwriting and other fees). Further, placing or rights issue or open offer of new Shares will have immediate dilution effect on the shareholding interests of the non-participating Shareholders while the dilution effect of the Convertible Bonds will only occur when the holders exercise the conversion rights attaching to the Convertible Bonds.

Taking into account (i) the Group has recorded net losses for four consecutive years which may render it difficult to obtain financing on terms satisfactory to the Group; (ii) the interest rate of the Convertible Bonds is lower than that of the existing interest-bearing borrowings of the Group; and (iii) the pros and cons of other alternative ways of financing as discussed above, we concur with the Directors that the issue of the Convertible Bonds would be the most appropriate and timely fund raising method to meet the financial needs of the Company, and is fair and reasonable and in the interest of the Shareholders as a whole.

LETTER FROM OPTIMA CAPITAL

4. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe, in cash, for the Convertible Bonds in the principal amount of HK\$100,000,000 which can be fully converted into 160,849,284 Shares at the Conversion Price of HK\$0.6217 per Conversion Share. Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the letter from the Board contained in the Circular.

Principal Terms

Issuer:	the Company
Subscriber:	the Subscriber
Principal amount:	HK\$100,000,000
Maturity date:	the date falling 2 years from the date of issue of the Convertible Bonds
Interest:	5% per annum payable semi-annually in arrears
Conversion rights:	<p>The Bondholder shall not be entitled to exercise the Conversion Rights unless in compliance with all of the following conditions:</p> <p>(i) No Conversion Rights may be exercised by the Bondholder unless (a) prior written confirmation has been given by the Bondholder to the Company that all the Shares (including the Conversion Shares issued or to be issued) held by such Bondholder, its associates (as defined under the Listing Rules) and persons acting in concert (as defined under the Takeovers Code) on the conversion date will not become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code; and (b) the Company will be able to meet the public float requirement under the Listing Rules after the conversion; and</p>

LETTER FROM OPTIMA CAPITAL

- (ii) If conversion shall be made in the amount of not less than a whole multiple of HK\$3,000,000 on each conversion unless the principal amount of the outstanding Convertible Bond is less than HK\$3,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Bond shall be converted.

Conversion Price: HK\$0.6217 per Conversion Share, subject to any adjustment from time to time, in accordance with the Bond Conditions

Ranking of Conversion Shares: The Conversion Shares shall rank *pari passu* in all respects with all other Shares then in issue

Adjustments: The Conversion Price is subject to adjustment upon the occurrence of the following events in relation to the Company:

- (i) If and whenever the Shares by reason of any consolidation, sub-division or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM OPTIMA CAPITAL

- (ii) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (iii) If and whenever the Company shall pay or make any capital distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the date on which the capital distribution is publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the capital distribution attributable to one Share

LETTER FROM OPTIMA CAPITAL

Such adjustment shall become effective on the date that such capital distribution is actually made or if a record date is fixed therefor, immediately after such record date.

- (iv) If and whenever the Company shall issue Shares to all Shareholders as a class by way of rights, or issue or grant to all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before such announcement;

B = the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C = the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

LETTER FROM OPTIMA CAPITAL

- (v) If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all Shareholders as a class by way of rights or grant to all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

LETTER FROM OPTIMA CAPITAL

- (vi) In the event that the Company issues Shares by way of cash only (other than Shares issued upon the exercise of Conversion Rights or the exercise of any other right to convert (or exchange or subscribe for) Shares), or issues or grants any Share option, stock warrant or other rights to subscribe for or purchase Shares, and the issue price of each Share is lower than the Current Market Price on the last Trading Day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B = the number of Shares which the aggregate consideration receivable for the additional Shares to be issued upon the issue or grant would purchase at such Current Market Price per Share; and

C = the maximum number of Shares to be issued upon the issue or grant.

Such adjustment shall become effective on the date of the issue or grant.

Every adjustment to the Conversion Price shall be determined by the Directors of the Company in accordance with paragraph (i) to (vi) above and certified by (at the option of the Company) either the auditors of the Company for the time being or an authorised financial adviser.

LETTER FROM OPTIMA CAPITAL

In giving any certificate or making any adjustment to the Conversion Price, the auditors of the Company or (as the case may be) an authorised financial adviser as appointed by the Company shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Bondholder and all persons claiming through or under them respectively. Any costs and expenses incurred in connection with the appointment of the auditors or authorised financial adviser shall be borne by the Bondholder.

So long as the Convertible Bond is outstanding, and subject to any approvals otherwise given in writing by the Bondholder, the Company agrees and undertakes to the Bondholder to, as soon as possible and in any event not later than fourteen (14) Business Days after the announcement of the terms of any issue in relation to adjustment to the Conversion Price, give notice to the Bondholder advising it of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising its Conversion Rights pending such date.

Transferability:

The Convertible Bonds may be assigned or transferred subject to compliance with all the following conditions and with the prior approval of the Stock Exchange (if required):

- (i) the Bondholder has given written notification to the Company at least fourteen (14) Business Days prior to each proposed assignment or transfer and, unless otherwise approved by the Company, no assignment or transfer of the Convertible Bond shall be made to any connected person (as defined under the Listing Rules) of the Company as at the time of the transfer or assignment;
- (ii) no assignment or transfer of the Convertible Bond may be made unless the proposed assignee or transferee has given the Company a written confirmation that it/he/she is not a connected person (as defined under the Listing Rules) of the Company; and

LETTER FROM OPTIMA CAPITAL

- (iii) the principal amount to be transferred or assigned must be at least HK\$3,000,000 or integral multiples of HK\$3,000,000.

Redemption: The Company will redeem all the outstanding Convertible Bonds at an amount of the principal amount of such outstanding Convertible Bonds with interest on the Maturity Date. The Company has no early redemption right under the Subscription Agreement.

Conditions precedent to the Subscription Completion

The Subscription Completion is conditional in all respect upon fulfillment of the following conditions:

- (i) the Stock Exchange have approved or having no objection to the issue of the Convertible Bonds;
- (ii) the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee;
- (iii) the Independent Shareholders approving the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares) and passing the relevant resolution(s) at the SGM which are required for the transactions contemplated under the Subscription Agreement to be effective and in compliance with the Listing Rules; and
- (iv) clearance of all necessary announcement(s) and circulars (if any) by the Stock Exchange to be issued by the Company in accordance with the Listing Rules and/or the Takeovers Code in respect of the Subscription Agreement and the transactions contemplated thereby.

None of the Subscription Conditions can be waived and none of the Subscription Conditions has been fulfilled as at the Latest Practicable Date. Pursuant to the Subscription Agreement, the Sale and Purchase Completion is not a condition precedent for the Subscription. However, it is provided in the Subscription Agreement that the Subscription Completion shall not take place unless the Sale and Purchase Completion and the Subscription Completion are completed simultaneously.

LETTER FROM OPTIMA CAPITAL

5. Evaluation of principal terms of the Convertible Bonds

(i) Conversion Price

The Conversion Price is HK\$0.6217 per Conversion Share, subject to any adjustment from time to time, in accordance with the terms of the Convertible Bonds (details of which are disclosed in the section headed “The Subscription Agreement – Principal terms of the Convertible Bonds” in the letter from the Board). We have reviewed the adjustment clause in the Subscription Agreement including the triggering events and the adjustment mechanisms, and consider such adjustment clauses to be similar to those anti-dilution adjustments for other convertible debt securities of this type in the market.

As stated in the letter from the Board, the Conversion Price was arrived at after arm’s length negotiations between the Company and the Subscriber, after taking into account, among others, (i) the financial positions and performance of the Company, including the repetitive loss making in previous four years consecutively; (ii) uncertain prospect of the businesses of the Group; (iii) the provision of immediate funds to the Company for, amongst others, maintaining its loss-making businesses and repayment of loans by the issue of the Convertible Bonds; (iv) the Conversion Price represents a premium of approximately 169.13% over the audited net asset value attributable to equity owners of the Company of HK\$0.231 per Share as at 31 December 2017; (v) the premium over the closing price per Share in the last Trading Day prior to the publication of the Memorandum Announcement; and (vi) the premiums over the average closing price per Share for certain periods prior to the publication of the Memorandum Announcement.

The Conversion Price of HK\$0.6217 per Conversion Share represents:

- (i) a discount of approximately 21.30% to the closing price of HK\$0.790 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.55% to the average closing price per Share of approximately HK\$0.824 per Share for the last five consecutive Trading Days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 21.50% to the average closing price per Share of approximately HK\$0.792 per Share for the last ten consecutive Trading Days immediately prior to the Last Trading Day;

LETTER FROM OPTIMA CAPITAL

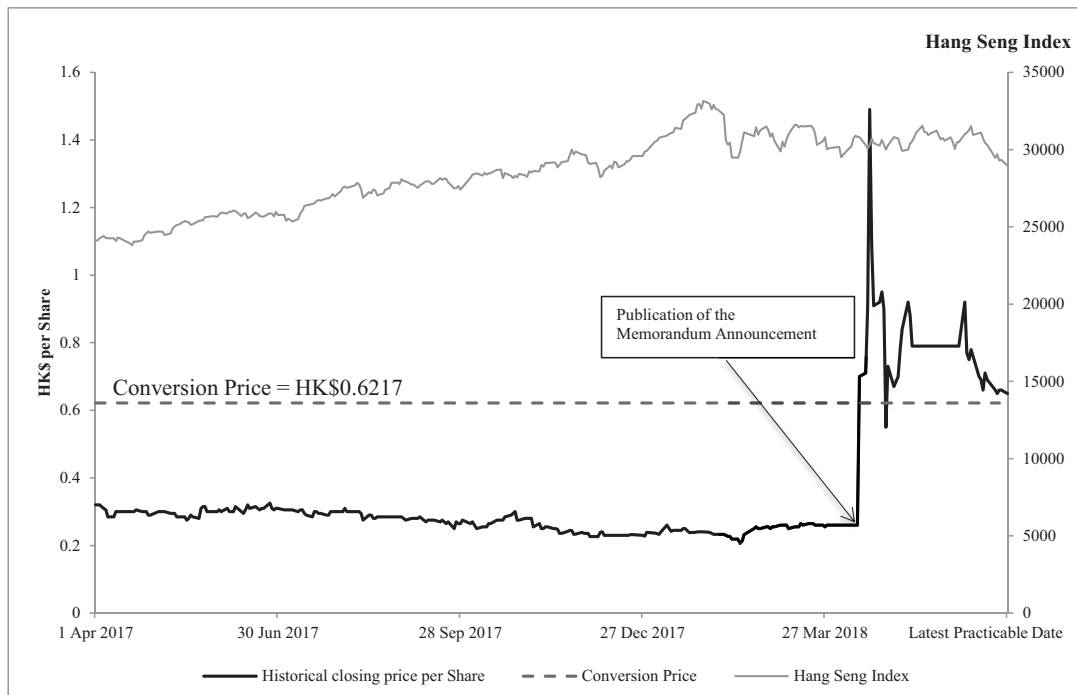
- (iv) a premium of approximately 139.12% over the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement;
- (v) a premium of approximately 140.04% over the average closing price per Share of approximately HK\$0.259 per Share for the last five consecutive Trading Days immediately prior to 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement;
- (vi) a premium of approximately 140.97% over the average closing price per Share of approximately HK\$0.258 per Share for the last 30 consecutive Trading Days immediately prior to 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement;
- (vii) a premium of approximately 169.13% over the audited net asset value attributable to equity owners of the Company as at 31 December 2017 of approximately HK\$0.231 per Share based on 1,045,399,967 Shares in issue as at the date of the Announcement; and
- (viii) a discount of approximately 4.35% to the closing price of HK\$0.650 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

In assessing the reasonableness and fairness of the Conversion Price, we have performed the analyses set out below.

Historical Share price performance

The chart below illustrates the daily closing price of the Shares as quoted on the Stock Exchange for the period from 1 April 2017 to the Latest Practicable Date, being the period of approximately 12 months prior to the date of the Memorandum Announcement and up to and including the Latest Practicable Date (the “**Review Period**”), including a comparison to the Hang Seng Index. We consider that the Review Period a reasonable period of time within which the prevailing market price of the Shares can be illustrated.



Source: Bloomberg

LETTER FROM OPTIMA CAPITAL

As illustrated in the chart above, the Share price closed in a range between HK\$0.206 and HK\$1.490, with an average of approximately HK\$0.332, during the Review Period. Prior to the publication of the Memorandum Announcement, the closing price of the Share remained stable and ranged from HK\$0.206 to HK\$0.325.

The trading in the Shares was suspended with effect from 9 April 2018. On 12 April 2018, the Company published the Memorandum Announcement. Trading in the Shares resumed on 13 April 2018. The closing price of the Share increased from HK\$0.260 on 6 April 2018 (the last Trading Day before publication of the Memorandum Announcement) to HK\$0.700 on 13 April 2018 (the first Trading Day after publication of the Memorandum Announcement), representing an increase of approximately 169.23% over the closing price of the Share on the last Trading Day before publication of the Memorandum Announcement. During the period between the date of the Memorandum Announcement and up to the last Trading Day prior to the publication of the Announcement, the Share price fluctuated in a range of HK\$0.550 to HK\$1.490, with an average Share price of approximately HK\$0.858. Such increase was likely due to market speculation on the likelihood of success of the possible disposal of the Sale Shares by the Selling Shareholder and the possible subscription.

Subsequent to the publication of the Announcement on 1 June 2018 and up to the Latest Practicable Date, the closing price of the Share fluctuated in a range of HK\$0.650 to HK\$0.920 and the Share price closed at HK\$0.650 on the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

Trading volume

We have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

Month	Average daily trading volume of the Shares (Number of Shares) <i>(Note 1)</i>	Average daily trading volume as a percentage of the total number of issued Shares <i>(Note 2)</i>
2017		
April	435,176	0.04%
May	905,100	0.09%
June	495,081	0.05%
July	377,524	0.04%
August	254,818	0.02%
September	471,000	0.05%
October	446,500	0.04%
November	992,455	0.09%
December	148,526	0.01%
2018		
January	269,818	0.03%
February	455,556	0.04%
March	129,238	0.01%
April	85,820,003	8.21%
April (prior to the publication of the Memorandum Announcement)	34,000	0.01%
April (after the publication of the Memorandum Announcement)	107,266,503	10.26%
May	21,119,834	2.02%
June (up to the Latest Practicable Date)	11,557,067	1.11%

Notes:

1. *Source: The Stock Exchange*
2. *The calculation is based on the average daily trading volume of the Shares divided by the total number of issued Shares at the end of each month or as at the Latest Practicable Date.*

LETTER FROM OPTIMA CAPITAL

As illustrated in the above table, during the Review Period, the average daily trading volume of the Shares ranged between 129,238 and 85,820,003, representing approximately 0.01% to 8.21% of the number of total issued Shares, respectively. During to the period between 1 April 2017 and the date of publication of the Memorandum Announcement, the average daily trading volume of the Shares was very low and represented only 0.01% to 0.09% of the number of total issued Shares. The average daily trading volume of the Shares surged to 85,820,003 in April 2018, representing approximately 8.21% of the number of total issued Shares, which was mainly due to the publication of the Memorandum Announcement on 12 April 2018. During the Review Period, the trading of the Shares was relatively thin, being less than 10% of the number of total issued Shares. The relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternative in stock market. It further implies that the Share price may not be indicative of the underlying value of the Company.

Market comparable analysis

We have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced issue of convertible bonds/notes solely for cash during the period between 1 January 2018 and the Latest Practicable Date. On such basis, we have identified 34 issues of convertible bonds/notes (the “**Comparable Issues**”). We consider that a review period from 1 January 2018 (which represented a five-month period prior to the publication of the Announcement) and up to the Latest Practicable Date to be sufficient and appropriate for our analysis as it has covered the recent market conditions and sentiments of the capital market of Hong Kong at which time the terms of the Convertible Bonds, including the Conversion Price, were determined. We consider that it is an exhaustive list of relevant comparable issue of convertible bonds/notes based on the aforesaid criteria.

LETTER FROM OPTIMA CAPITAL

Shareholders should note that the businesses, operations, fund raising sizes and prospects of the Company may not be the same as, or even substantially different from, that of the subject companies involved in the Comparable Issues, and we have not conducted any detailed investigation into the respective businesses and operations of the subject companies. The circumstances leading to the subject companies to proceed with the subscriptions may also be different from those relating to the Company. However, as the Comparable Issues fulfilling the above criteria can provide a general reference of this type of transaction in the market, we consider them to be an appropriate basis to assess the fairness of the terms of the Convertible Bonds.

Our analysis on the Comparable Issues is set out below:

Company Name	Stock code	Date of announcement	Interest rate per annum <i>(Note 1)</i>	Premium/(discount) of the conversion price over/to closing price per share on the last Trading Day prior to/ the date of announcement/ agreement in relation to the respective subscription/placing of convertible bonds/notes <i>(Note 1)</i>
Sunshine Oilsands Ltd.	2012	25 June 2018	5.00	(15.16)
Energy International Investments Holdings Limited	353	14 June 2018	3.00	Nil
Huscoke Resources Holdings Limited	704	4 June 2018	3.95	35.70
Prosper One International Holdings Company Limited	1470	31 May 2018	0.80	(16.67)
Comtec Solar Systems Group Limited	712	18 May 2018	10.00	Nil
New City Development Group Limited	456	16 May 2018	2.00	(18.87)
China Environmental Technology Holdings Limited	646	16 May 2018	8.00	73.11
Xinming China Holdings Limited	2699	15 May 2018	6.50	19.83

LETTER FROM OPTIMA CAPITAL

Company Name	Stock code	Date of announcement	Interest rate per annum (Note 1)	Premium/(discount) of the conversion price over/to closing price per share on the last Trading Day prior to/ the date of announcement/ agreement in relation to the respective subscription/placing of convertible bonds/notes (Note 1)
China Finance Investment Holdings Limited	875	15 May 2018	5.00	9.52
Tempus Holdings Limited	6880	15 May 2018	7.00	20.30
Angang Steel Company Limited	347	11 May 2018	Nil	15.10
LVGEM (China) Real Estate Investment Company Limited	95	10 May 2018	4.00	18.61
Petro-King Oilfield Services Limited	2178	10 May 2018	8.00	Nil
China Environmental Energy Investment Limited	986	8 May 2018	5.00	18.64
Global Strategic Group Limited	8007	3 May 2018	10.00	7.41
China Ruifeng Renewable Energy Holdings Limited	527	24 April 2018	6.50	(17.80)
ArtGo Holdings Limited	3313	30 March 2018	5.00	(10.00)
Burwill Holdings Limited	24	20 March 2018	7.00	(9.86)
Beijing Gas Blue Sky Holdings Limited	6828	5 March 2018	2.00	(3.39)
Risecomm Group Holdings Limited	1679	13 February 2018	6.00	(8.01)

LETTER FROM OPTIMA CAPITAL

Company Name	Stock code	Date of announcement	Interest rate per annum (Note 1)	Premium/(discount) of the conversion price over/to closing price per share on the last Trading Day prior to/ the date of announcement/ agreement in relation to the respective subscription/placing of convertible bonds/notes (Note 1)
New City Development Group Limited	456	9 February 2018	7.00	(19.81)
China Evergrande Group	3333	31 January 2018	4.25	40.00
Future Land Development Holdings Limited	1030	30 January 2018	2.25	28.00
Powerlong Real Estate Holdings Limited	1238	30 January 2018	2.75	23.50
CIFI Holdings (Group) Co. Ltd.	884	26 January 2018	1.50	30.07
China Success Finance Group Holdings Limited	3623	25 January 2018	6.00	49.66
KVB Kunlun Financial Group Limited	6877	25 January 2018	7.50	5.70
Hospital Corporation of China Limited	3869	25 January 2018	Nil	19.36
China Finance Investment Holdings Limited	875	23 January 2018	5.00	17.65
MIE Holdings Corporation	1555	23 January 2018	5.00	(3.33)
Youyuan International Holdings Limited	2268	18 January 2018	4.50	33.61
China Huiyua Juice Group Limited	1886	22 January 2018	Nil	2.21
Country Garden Holdings Company Limited	2007	17 January 2018	Nil	15.61

LETTER FROM OPTIMA CAPITAL

Company Name	Stock code	Date of announcement	Interest rate per annum <i>(Note 1)</i>	Premium/(discount) of the conversion price over/to closing price per share on the last Trading Day prior to/ the date of announcement/ agreement in relation to the respective subscription/placing of convertible bonds/notes <i>(Note 1)</i>
Echo International Holdings Group Limited	8218	5 January 2018	7.00	(9.63)
Maximum			10.00	73.11
Minimum			Nil	(19.81)
Median			5.00	8.47
Mean			4.63	10.33
				<i>Prior to the publication of the Memorandum Announcement</i>
The Company			5.00	139.12 <i>(Note 2)</i>
				<i>Prior to the publication of the Announcement</i>
				(21.30) <i>(Note 3)</i>

Notes:

1. *The interest rate per annum and the premium/discount are extracted from the relevant published announcements of the companies for the Comparable Issues*
2. *The premium represented by the Conversion Price over the closing price of the Share on the date prior to the publication of the Memorandum Announcement was 139.12%*
3. *The discount represented by the Conversion Price to the closing price of the Share on the Last Trading Day prior to the publication of the Announcement was 21.30%*

LETTER FROM OPTIMA CAPITAL

Conversion Price as compared to the Last Trading Price

As demonstrated in the above table, it is noted that the conversion price of the Comparable Issues ranged from a discount of approximately 19.81% to a premium of approximately 73.11% as compared with their respective closing price of their shares on their respective last Trading Days prior to/on the date of their respective announcements in relation to the respective subscription/placing of convertible bonds/notes.

As illustrated in the table above, the discount of the Conversion Price to the closing price of the Share on the Last Trading Day of approximately 21.30% falls outside the range of conversion premium/discount of the Comparable Issues and is below the mean of a premium of 10.33%.

However, as mentioned under the paragraph headed “Trading volume” above, the price of the Shares and the trading volume significantly rose after the publication of the Memorandum Announcement. It could be interpreted that due to the market expectation over the change of control of the Company, there were arbitrary activities from the investors and the price of the Shares became volatile. Therefore, we considered that it may not be the true picture if we compared the Conversion Price to the Last Trading Price. Hence, we have also compared the Conversion Price to the price of the Share on the date immediately prior to the publication of the Memorandum Announcement and it represents a premium of approximately 139.12%, which is well above that of the Comparable Issues.

In view of the above, we consider that Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM OPTIMA CAPITAL

(ii) Interest rate

The Convertible Bonds shall bear interest from and including the Issue Date to the Maturity Date at the rate of 5% per annum. The Company shall redeem all outstanding Convertible Bonds at an amount of the principal amount of such outstanding Convertible Bonds with interest on the Maturity Date. The Company has no early redemption right under the Subscription Agreement.

In assessing the reasonableness of the interest rate of the Convertible Bonds, we have compared the interest rate of the Convertible Bonds against the interest-bearing loans of the Group. As discussed in the section headed “1. Information of the Group” above, the interest rate on the outstanding loans of the Group as at the Latest Practicable Date ranged from 8.0% to 9.5% per annum, which is higher than that of the Convertible Bonds.

As demonstrated in the above table, interest rate of the Comparable Issues range from nil to 10.00% per annum. The interest rate of the Convertible Bonds of 5% per annum is within the range of that of the Comparable Issues and is only slightly above the mean of the interest rate of the Comparable Issues of 4.63%. As such, we consider that the interest rate of 5% per annum of the Convertible Bonds is fair and reasonable.

(iii) Other terms of the Convertible Bonds

The Convertible Bonds are transferrable, except to connected persons of the Company without prior consent of the Company. The Conversion Shares, when allotted and issued, will rank *pari passu* with, and carry the same rights in all aspects as, the other Shares then in issue and outstanding.

We consider that the above terms of the Convertible Bonds in relation to transferability and ranking of the Conversion Shares are in line with the terms of the convertible bonds/notes of similar kind issued by other listed companies in Hong Kong.

In light of the above, we are of the view that the principal terms of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM OPTIMA CAPITAL

6. Possible dilution effect on the shareholding interests of the Shareholders

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,045,399,967 Shares. Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after Subscription Completion and Sale and Purchase Completion (assuming no change to the issued share capital of the Company from the Latest Practicable Date); (iii) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full (assuming no other change to the issued share capital of the Company from the Latest Practicable Date); and (iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full and allotment and issue of new Shares upon exercise of all outstanding Options (assuming no other change to the issued share capital of the Company from the Latest Practicable Date):-

Shareholders	(i) as at the Latest Practicable Date		(ii) immediately after Subscription Completion and Sale and Purchase Completion (assuming no change to the issued share capital of the Company from the Latest Practicable Date)		(iii) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full (assuming no other change to the issued share capital of the Company from the Latest Practicable Date)		(iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full and allotment and issue of new Shares upon exercise of all outstanding Options (assuming no other change to the issued share capital of the Company from the Latest Practicable Date)	
	Number of		Number of		Number of		Number of	
	Shares	%	Shares	%	Shares	%	Shares	%
The Selling Shareholder	697,837,417	66.75%	-	-	-	-	-	-
The Subscriber	-	-	697,837,417	66.75%	858,686,701	71.19%	858,686,701	70.41%
Optionholders (Note)	-	-	-	-	-	-	13,280,000	1.09%
Public Shareholders	347,562,550	33.25%	347,562,550	33.25%	347,562,550	28.81%	347,562,550	28.50%
Total	<u>1,045,399,967</u>	<u>100.00%</u>	<u>1,045,399,967</u>	<u>100.00%</u>	<u>1,206,249,251</u>	<u>100.00%</u>	<u>1,219,529,251</u>	<u>100.00%</u>

Note:

As at the Latest Practicable Date, all outstanding Options were held by the Directors.

As shown in the above table, the shareholding in the Company held by the existing public Shareholders would be diluted from 33.25% as at the Latest Practicable Date to (i) approximately 28.81% immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full (assuming no other change to the issued share capital of the Company from the Latest Practicable Date); and (ii) approximately 28.50% immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full and allotment and issue of new Shares upon exercise of all outstanding Options (assuming no other change to the issued share capital of the Company from the Latest Practicable Date).

LETTER FROM OPTIMA CAPITAL

Having considered that the principal terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the reasons for and benefits of the Subscription as mentioned above, we are of the view that the dilution effect on the shareholding of the existing public Shareholders is fair and reasonable as the Independent Shareholders are concerned.

7. Possible financial effects of the Subscription

We have analysed the effects on the net asset value, liquidity and working capital, gearing and earnings of the Group as a result of the Subscription. The analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the Subscription Completion.

(i) Net asset value

As disclosed in the 2017 Annual Report, the consolidated net asset value of the Group attributable to equity owners of the Company was approximately HK\$241.8 million as at 31 December 2017. Based on 1,045,399,967 Shares in issue as at the Latest Practicable Date, the net asset value attributable to equity owners of the Company per Share was approximately HK\$0.231 per Share.

The net proceeds from the issue of the Convertible Bonds are estimated be approximately HK\$97.0 million. The Subscription Completion would lead to an increase in cash and cash equivalents of the Group by the same amount. The non-current liabilities and the convertible equity reserve of the Group will also be increased respectively as a result of the recognition of liability and equity components of the Convertible Bonds. It is expected that the net asset value of the Group will be improved upon the issue of the Convertible Bonds, as the increase in cash and cash equivalents is expected to be higher than the increase in liability component of the Convertible Bonds given that certain portion would be allocated to the equity component of the Convertible Bonds. The exact amount of the respective fair value of the liability and equity components of the Convertible Bonds and their financial impacts to the Group will be subject to the assessment and valuation by a professional valuer at the time of Subscription Completion.

The Conversion Price of HK\$0.6217 represents a premium of approximately 169.13% over the net asset value attributable to equity owners of the Company per Share of approximately HK\$0.231 per Share. Assuming the Convertible Bonds are converted in full at the Conversion Price, the outstanding liability component of the Convertible Bonds will be credited to equity. The net asset value attributable to equity owners of the Company per Share and consolidated net asset value of the Group attributable to the Shareholders will be increased accordingly.

LETTER FROM OPTIMA CAPITAL

Based on the above, we are of the view that the issue of the Convertible Bonds would enhance the net asset value of the Group and the net asset value attributable to equity owners of the Company per Share.

(ii) *Liquidity and working capital*

Based on the 2017 Annual Report, the Group had net current assets of approximately HK\$54.4 million as at 31 December 2017, comprising current assets of approximately HK\$127.2 million and current liabilities of approximately HK\$72.8 million. The cash and cash equivalents of the Group as at 31 December 2017 amounted to approximately HK\$34.3 million.

Immediately upon Subscription Completion, the cash and cash equivalents of the Group will be increased by the net proceeds from the issue of the Convertible Bonds amounting to approximately HK\$97.0 million, and the liability portion of the Convertible Bonds will be treated as non-current liabilities of the Group. Therefore, the current ratio will increase from 1.75 to 3.08. The issue of the Convertible Bonds would therefore have a positive effect on the liquidity, current ratio and working capital position of the Group.

(iii) *Gearing*

As disclosed in the 2017 Annual Report, the interest-bearing borrowings and the total assets of the Group amounted to approximately HK\$40.9 million and HK\$440.3 million as at 31 December 2017 respectively. The Group had a gearing ratio, being interest-bearing borrowings over total assets, of approximately 9.3%.

The liability component of the Convertible Bonds and the net proceeds from the issue of the Convertible Bonds will respectively increase the interest-bearing borrowings and the total assets of the Group. On the assumption that the liability component represents more than 9.3% of the principal amount of the Convertible Bonds, the gearing ratio of the Group upon Subscription Completion but before any conversion of the Convertible Bonds would increase. However, we are not in a position to quantify the magnitude of such increase in gearing ratio because it will depend on the allocation of liability component and equity component of the Convertible Bonds in the consolidated statement of financial position of the Group, which is subject to assessment and valuation by a professional valuer at the time of Subscription Completion.

The gearing ratio of the Group will decrease if the Convertible Bonds are converted into the Conversion Shares. Immediately upon full conversion of the Convertible Bonds, the outstanding liability component of the Convertible Bonds will be contributed to the total equity and the interest-bearing borrowings of the Group will decrease.

LETTER FROM OPTIMA CAPITAL

(iv) Earnings

As advised by the Directors, the liability portion of the Convertible Bonds will be carried at amortised cost using the effective interest method. The effective interest expenses of the Convertible Bonds will be charged to the consolidated statement of profit or loss until any conversion and/or redemption of the Convertible Bonds in full. In view of (i) the funding needs of the Group as described in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” above; and (ii) the lengthy application procedures in obtaining other alternative sources of financing, which may or may not carry a lower interest rate, as discussed in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” above, we are of the view that the negative effect on earnings caused by the effective interest of the Convertible Bonds is justifiable.

8. DISCUSSION

We consider that the terms of the Subscription Agreement, including the Conversion Price, are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interest of the Company and the Shareholders as a whole after taking into account the above principal factors and reasons, in particular:

- (i) as discussed in the section headed “1. Information of the Group”, the Group recorded negative operating cash flows and losses attributable to owners of the Company for four consecutive years. The cash (net of interest-bearing borrowings) as at 31 December 2017 was a negative balance of approximately HK\$6.6 million. The Directors consider, and we agree, that this is too limited a capital base to improve the loss making position of the Group. The Subscription, as discussed in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds”, will provide additional funds for the Group to strengthen its existing businesses as well as enhancement of its short term liquidity which are considered desirable for the Group;
- (ii) as illustrated in the section headed “6. Possible dilution effect on the shareholding interests of the Shareholders” above, the shareholdings of the public are expected to be diluted from approximately 33.25% as at the Latest Practicable Date to approximately 28.50% immediately after the issue of Conversion Shares upon full conversion of the Convertible Bonds and issue of new Shares upon exercise of all outstanding Options. We regard the dilution effect is acceptable in view of the aforesaid reasons and factors and, as discussed in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” above, we agree with the Directors that the Subscription would be a more appropriate and timely fund raising method compared with other alternative ways of financing considered by the Directors;

LETTER FROM OPTIMA CAPITAL

- (iii) the basis of the Conversion Price is commercially justified. Having considered the premium of the Conversion Price over the net asset value attributable to equity owners of the Company as at 31 December 2017 as well as the premium of the Conversion Price over the closing price of the Share on the last Trading Day prior to the publication of the Memorandum Announcement, which is well above that of the Comparable Issue as discussed under the section headed “5. Evaluation of principal terms of the Convertible Bonds”, we concur the views of the Directors that the Conversion Price is fair and reasonable;
- (iv) as discussed in the section headed “5. Evaluation of principal terms of the Convertible Bonds” above, terms of the Convertible Bonds are generally in line with the market whilst the Convertible Bonds also represent a funding source for the Company at less finance cost as compared with the Group’s existing interest-bearing borrowings;
- (v) the possible positive financial effect of the Subscription as discussed in the section headed “7. Possible financial effects of the Subscription”; and
- (vi) the merits of the unconditional Offers resulting from the Sale and Purchase Completion and the Subscription Completion, that is, an opportunity for the Independent Shareholders to realise the Shares in an orderly manner for cash at the same price, which would not normally be available through the market given the low trading volume as discussed under the section headed “5. Evaluation of principal terms of the Convertible Bonds”.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the opinion that the Subscription Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement, while not in the ordinary and usual course of business of the Company, is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Senior Director

Mr. Ng Ka Po is a licensed person and a responsible officer of Optima Capital Limited registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of financial advisory and independent financial advisory services for various transactions involving companies listed in Hong Kong.

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 Company. 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

(a) Long position – ordinary shares of HK\$0.10 each of the Company

Name of Director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou	697,837,417 (<i>Note</i>)	66.75%

Note:

These 697,837,417 shares are held by PCI, a wholly-owned subsidiary of Junefield (Holdings) Limited (“**JHL**”). Mr. Zhou is the beneficial owner of the entire issued share capital of JHL.

(b) Long position in underlying shares – share options

The following Directors have personal interests in Options to subscribe for Shares:

Name	Date of grant	Exercisable period	Number of share options			Balance as at 31 December 2017	Exercise price per share (HK\$)
			Balance as at 1 January 2017	Granted During the year	Exercised During the year		
Mr. Zhou	6 July 2009	6 July 2009 – 5 July 2019	9,980,000	–	–	9,980,000	0.229
Mr. Lam Man Sum, Albert	6 July 2009	6 July 2009 – 5 July 2019	3,300,000	–	–	3,300,000	0.229
			<u>13,280,000</u>	<u>–</u>	<u>–</u>	<u>13,280,000</u>	

Note: The cash consideration paid by each of the Directors for the grant of share option is HK\$1.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the interests or short positions of the persons (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI (<i>Note</i>)	Directly beneficially owned	697,837,417	66.75%
JHL (<i>Note</i>)	Through a controlled corporation	697,837,417	66.75%
CMBC International Holdings Limited	Person having a security interest in shares	697,837,417	66.75%

Note:

These 697,837,417 shares are held by PCI, a wholly-owned subsidiary of JHL. Mr. Zhou is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any person (other than the Directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Director of the Company was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Zhou, the Chairman, an executive Director and the controlling shareholder of the Company, currently engages in businesses including property investment, mineral exploitation and related investment through a number of private companies (collectively the "Private Group").

In the event that there are transactions between the Private Group and the Group, Mr. Zhou, as and when required under the Company's bye-laws, will abstain from voting on any board resolution in respect of any contract, arrangement, or proposal in which he or any of his close associates has a material interest.

As the Board is independent from the board of directors of the Private Group and maintains no less than three independent non-executive directors, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of the Private Group.

Save as disclosed herein, none of the Directors and their respective associates had any interests in a business which competes or may compete with the business of the Group as at the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS

Each Director entered into a service agreement with the Company for a term of two years, which may be terminated by either party giving not less than one month's notice in writing.

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensations).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or the members of the Group which are or may be material:

1. the Company (as tenant) and JHL (wholly-owned by Mr. Zhou) (as landlord) entered into the management services agreement dated 1 March 2017 for monthly rental and management fees of its current office premises for a consideration of monthly rental of HK\$72,000;
2. Junefield Energy Limited (an indirectly wholly-owned subsidiary of the Company) (as tenant) and JHL (as landlord) entered into the management services agreement dated 1 March 2017 for monthly rental and management fees of its current office premises for a consideration of monthly rental of HK\$18,000;
3. Like Top Corporation Limited (an indirectly wholly-owned subsidiary of the Company) and Ecuamining Mineral S.A. (as sourcing agent), a company ultimately wholly-owned by Mr. Zhou, entered into a sourcing agent agreement dated 20 January 2018 to procure mineral concentrates for a commission of 2% of purchase invoice price(s) on mineral concentrates; and

4. Lima Airlines S.A.C. (an indirectly wholly-owned subsidiary of the Company) entered into an aircraft sub-leasing agreement with Bank of Utah (as nominee of Mega Choice Investment Limited (ultimately wholly-owned by Mr. Zhou)) dated 21 July 2017 (as supplemented by an agreement dated 21 March 2018) for a consideration of hourly rate at US\$400.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group as at the Latest Practicable Date, which are or may be material.

LITIGATION

As at the Latest Practicable Date, the Group was engaged in the following litigation:

Junefield (Building Material) Limited (an indirect wholly-owned subsidiary of the Group) (“**JBM**”) filed two applications for arbitration proceedings at the China International Economics and Trade Arbitration Commission (“**Arbitration Commission**”) against the minority shareholder of Hunan Taiji Construction Material Co., Ltd. (“**Hunan Taiji**”), 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited) in October 2013 and December 2015 respectively for compensations on, *inter alia*, failing to procure the requested amount of supply of the granulated steel slag for production (“**Steel Slag Supply**”) for the periods from 1 January 2011 to 31 August 2013 and from 1 September 2013 to 30 September 2015 under Hunan Taiji’s joint venture agreement (the “**First Taiji Arbitration Application**” and the “**Second Taiji Arbitration Application**” respectively).

In January 2015, the Arbitration Commission ruled on the First Taiji Arbitration Application in favour of JBM. JBM received the compensation of the First Taiji Arbitration Application in August 2017. In May 2017, JBM further filed an application to extend the period of the claim from 30 September 2015 to 31 August 2016 with a revised claim amount of approximately RMB71,485,000 in respect of the Second Taiji Arbitration Application. As at the Latest Practicable Date, the ruling of the Second Taiji Arbitration Application has not been given yet.

Save as disclosed above, as of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
Optima Capital	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Optima 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, since the date to which the latest published audited financial statements of the Group were made up (i.e. 31 December 2017), 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.

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they are included.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chan Kin Lung. Mr. Chan is an associate member of The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (c) The head office and principal place of business of the Company in Hong Kong is at Rooms 2801 & 2802A, 28/F, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 10:00 a.m. to 4:00 p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the head office and principal place of business in Hong Kong of the Company at Rooms 2801 & 2802A, 28/F Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Memorandum of Association and bye-laws of the Company;
- (b) the Subscription Agreement and Supplemental Agreements;
- (c) the Sale and Purchase Agreement and SPA Supplemental Agreement;
- (d) the management services agreement entered into among the Company (as tenant) and JHL (as landlord) dated 1 March 2017 for monthly rental and management fees of its current office premises;
- (e) the management services agreement entered into among Junefield Energy Limited (as tenant) and JHL (as landlord) dated 1 March 2017 for monthly rental and management fees of its current office premises;
- (f) the sourcing agent agreement entered into among Like Top Corporation Limited and Ecuamining Mineral S.A. (as sourcing agent) dated 20 January 2018;
- (g) the aircraft sub-leasing agreement entered into between Lima Airlines S.A.C., and Bank of Utah (as nominee of Mega Choice Investment Limited) dated 21 July 2017 (as supplemented by an agreement dated 21 March 2018);

- (h) the joint venture agreement of Hunan Taiji Construction Material Co., Ltd. dated 30 June 2006 (as supplemented by an agreement dated 27 March 2008);
- (i) the letter of appointment entered into between the Company and Mr. Zhou JR dated 7 July 2016;
- (j) the letter of appointment entered into between the Company and Mr. Zhang Min dated 10 August 2016;
- (k) the letter of appointment entered into between the Company and Mr. Lam Man Sum, Albert dated 24 September 2016;
- (l) the letter of appointment entered into between the Company and Mr. Cao Kuangyu dated 16 January 2017;
- (m) the letter of appointment entered into between the Company and Mr. Cheung Ka Wai dated 15 March 2017;
- (n) the letter of appointment entered into between the Company and Mr. Zhou dated 2 October 2017;
- (o) the letter of appointment entered into between the Company and Mr. Lei Shuguang dated 1 November 2017;
- (p) the letter of appointment entered into between the Company and Mr. Xiang Xianhong dated 1 November 2017;
- (q) the letter of appointment entered into between the Company and Mr. Jorge Edgar Jose Muñiz Ziches dated 16 December 2017;
- (r) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this circular;
- (s) the letter of recommendation from Optima Capital, the text of which is set out on pages 38 to 78 of this circular;
- (t) the letter of consent referred to in the section headed “EXPERT’S QUALIFICATION AND CONSENT” in this appendix; and
- (u) this circular.

NOTICE OF SGM



JUNEFIELD DEPARTMENT STORE GROUP LIMITED

莊勝百貨集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholder(s)**”) of Junefield Department Store Group Limited (the “**Company**”) will be held at Forum Room II-III, Basement 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 23 July 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution and special resolution respectively of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 9 May 2018 entered into between the Company as issuer, Macrolink International Holdings Limited as subscriber (the “**Subscriber**”) and an independent third party of the Company and as supplemented and amended by the supplemental agreement dated 31 May 2018 and the second supplemental agreement dated 22 June 2018 (collectively, the “**Supplemental Agreements**”) in relation to the issue of convertible bonds (the “**Convertible Bonds**”) in the principal amount of HK\$100,000,000 by the Company (a copy of the Subscription Agreement and Supplemental Agreements having been produced to the SGM and marked “A” and initialed by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue the Conversion Shares (“**Specific Mandate**”) upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds, and that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

* For identification purposes only

NOTICE OF SGM

- (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Subscription Agreement, the Supplemental Agreements, the Convertible Bonds and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Subscription Agreement and the Supplemental Agreements.”

SPECIAL RESOLUTION

2. “**THAT** subject to and conditional upon the Sale and Purchase Completion and the approval of the Registrar of Companies in Bermuda being obtained,
- (a) the English name of the Company be changed from “Junefield Department Store Group Limited” to “Macrolink Capital Holdings Limited” and a Chinese name “新華聯資本有限公司” be adopted and registered as the secondary name of the Company; and
- (b) any Director of the Company be and is hereby authorised to do all such acts and things and to sign and execute all such documents and instruments for and on behalf of the Company as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution.”

By order of the Board

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

Zhang Min

Chief Executive Officer & Executive Director

Hong Kong, 29 June 2018

Registered Office:

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

Head office and principal place of business

in Hong Kong:

Rooms 2801 & 2802A, 28/F

Windsor House

311 Gloucester Road

Causeway Bay, Hong Kong

NOTICE OF SGM

Notes:

1. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint one or, if he holds two or more shares, more proxies to attend and vote on his/her stead. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
3. The votes at the SGM will be taken by poll.
4. For determining the qualification as Shareholders to attend and vote at the SGM, the register of members of the Company will be closed as set out below:

Latest time to lodge transfer documents for registration: 4:30 p.m. on Tuesday, 17 July 2018

Closure of register of members: Wednesday, 18 July 2018 to Monday, 23 July 2018 (both dates inclusive)

Record Date: Monday, 23 July 2018

During the above closure period, no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the above-mentioned latest time.

5. In the case of joint holders of a share, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, the vote of that one of the such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
6. Delivery of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.