
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, about this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution 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 Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form(s) of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers.



新华联集团
MACROLINK GROUP

Macrolink International Holdings Limited
新華聯國際控股有限公司
(incorporated in the Cayman Islands with limited liability)



JUNEFIELD DEPARTMENT STORE GROUP LIMITED
莊勝百貨集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 758)

**COMPOSITE DOCUMENT RELATING
TO MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to Macrolink International Holdings Limited



**Independent Financial Adviser
to the Independent Board Committee of Junefield Department Store Group Limited**


Optima Capital Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

A letter from CMBC Securities containing, among other things, principal terms of the Offers is set out on pages 9 to 21 of this Composite Document. A letter from the Board is set out on pages 22 to 30 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders and Optionholders containing its recommendation in respect of the Offers is set out on pages 31 and 32 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offers and the principal factors considered by it in arriving at its recommendation is set out on pages 33 to 59 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Form(s) of Acceptance for the Share Offer should be received by the Registrar and Form(s) of Acceptance for the Option Offer should be received by the company secretary of the Company as soon as possible and in any event not later than 4:00 p.m. on 22 August 2018 (or such later time and/or date as the Offeror may determine and the Offeror may announce in accordance with the Takeovers Code).

1 August 2018

* For identification purposes only

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

Time and Date

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement date of the Offers (<i>Note 1</i>)	Wednesday, 1 August 2018
Offers open for acceptance (<i>Note 1</i>)	Wednesday, 1 August 2018
Latest time and date for acceptance of the Offers (<i>Notes 2 & 4</i>)	4:00 p.m. on 22 August 2018
Closing Date (<i>Notes 2 & 4</i>)	Wednesday, 22 August 2018
Announcement of the results of the Offers (or its extension or revision, if any), to be posted on the website of the Stock Exchange (<i>Note 2</i>)	Before 7:00 p.m. on Wednesday, 22 August 2018
Latest date for posting of remittances in respect of valid acceptances received under the Offers (<i>Notes 3 & 4</i>)	Friday, 31 August 2018

Notes:

1. The Offers, which are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on 22 August 2018 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Wednesday, 22 August 2018 stating whether the Offers have been extended, revised or have expired. In the event that the Offeror decides to revise or extend the Offers, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.

EXPECTED TIMETABLE

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Shares/the Options tendered under the Share Offer/the Option Offer will be despatched to the Independent Shareholders/Optionholders accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the date of receipt by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer) of all duly completed acceptance of the Offers and the relevant documents of title of the Offer Shares or the Options (as the case may be) in respect of such acceptance to render the acceptance under the Offers complete and valid. Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to 5 "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

4. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date or the date for posting of remittances and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the respective event will remain the same on the scheduled date according to the expected timetable.

All references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

NOTICE TO OVERSEAS SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offers to the Overseas Shareholders may be affected by the laws and regulations of the relevant jurisdictions in which they are residents, citizens or nationals of jurisdictions outside Hong Kong. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. For further information, please refer to the paragraph headed "Overseas Shareholders" in the "Letter from CMBC Securities" and the section headed "7. Overseas Shareholders" in Appendix I to this Composite Document.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the same meaning ascribed to it under the Takeovers Code
“ YELLOW Form(s) of Acceptance”	the yellow form(s) of acceptance and cancellation of the Options in respect of the Option Offer
“Board”	the board of Directors
“Business Day(s)”	a day on which the banks are open for business in Hong Kong, other than Saturdays, Sundays and public holidays and/or a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	22 August 2018, being the closing date of the Offers which is 21 days following the date on which this Composite Document was posted (or if the Offers are extended, any subsequent closing date as may be determined by the Offeror and announced by the Offeror in accordance with the Takeovers Code)
“CMBC International Capital”	CMBC International Capital Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“CMBC Securities”	CMBC Securities Company Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“Company”	Junefield Department Store Group Limited, a company incorporated in Bermuda with limited liability, the Shares are listed on the Main Board of the Stock Exchange (Stock code: 758)
“Composite Document”	this composite offer and response document in respect of the Offers jointly despatched by the Offeror and the Company in accordance with the Takeovers Code
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the director(s) of the Company, from time to time
“Encumbrances”	any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance	the accompanying WHITE Form(s) of Acceptance in respect of the Share Offer, the YELLOW Form(s) of Acceptance in respect of the Option Offer and “Form of Acceptance” means either of them
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising all non-executive Director and independent non-executive Directors, namely, Mr. Jorge Edgar Jose Muñoz Ziches, Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, being established for the purpose of advising the Independent Shareholders and Optionholders in respect of the Offers
“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), being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offers
“Independent Shareholders”	all Shareholders other than the Offeror, its associates and parties acting in concert with it
“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
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 1 June 2018 in relation to, among others, the Sale and Purchase Agreement and the possible Offers pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Day”	9 May 2018, being the last Trading Day for the Shares immediately prior to the publication of the Joint Announcement
“Latest Practicable Date”	27 July 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Memorandum”	the memorandum dated 7 April 2018 entered into between the Selling Shareholder, the Offeror (in relation to the disposal of the sale shares), the Company and an Independent Third Party (in relation to the subscription of certain amount of the convertible bonds issued by the Company)
“Memorandum Announcement”	the announcement dated 12 April 2018 issued by the Company in relation to the entering into of the Memorandum
“Offeror”	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
“Offer Period”	has the meaning given to it in the Takeovers Code, which have commenced since 12 April 2018, being the date of the Memorandum Announcement and will end on the Closing Date
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror 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
“Optionholder(s)”	holder(s) of the Option(s)
“Option Offer”	the mandatory unconditional cash offer being made by CMBC Securities on behalf of the Offeror for cancellation of all the outstanding Options held by the Optionholders pursuant to Rule 13 of the Takeovers Code
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China

DEFINITIONS

“Registrar”	Tricor Tengis Limited, with its registered address at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 12 October 2017, being the date falling 6 months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 May 2018 entered into by the Selling Shareholder as the vendor, the Offeror as the purchaser and the Guarantor in respect of the sale and purchase of the Sale Shares by the Selling Shareholder to the Offeror 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
“Sale Shares”	697,837,417 Shares, legally and beneficially owned by the Selling Shareholder as at the date of the Sale and Purchase Agreement and till the Sale and Purchase Completion
“Selling Shareholder”	Prime Century Investments Limited, a company incorporated in the British Virgin Islands which held the Sale Shares as at the date of the Sale and Purchase Agreement and till the Sale and Purchase Completion, and wholly and beneficially owned by Mr. Zhou
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer being made by CMBC Securities on behalf of the Offeror for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code

DEFINITIONS

“Share Offer Price”	the cash amount of HK\$0.6217 per Share payable by the Offeror to the Independent Shareholders under the Share Offer
“SPA Supplemental Agreement”	a supplemental agreement to the Sale and Purchase Agreement dated 31 May 2018 entered into between the Selling Shareholder, the Offeror and the Guarantor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day(s)”	a day when the Stock Exchange is open for trading in Hong Kong
“ WHITE Form(s) of Acceptance”	the white form(s) of acceptance and transfer of the Share(s) in respect of the Share Offer
“US\$”	United States dollars, the lawful currency of United States
“%”	per cent

LETTER FROM CMBC SECURITIES



1 August 2018

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

The Offeror and the Company jointly issued an announcement dated 1 June 2018 which stated that, the Offeror had entered into the Sale and Purchase Agreement with the Selling Shareholder and the Guarantor on 9 May 2018 (after trading hours) (which is supplemented and amended by the SPA Supplemental Agreement dated 31 May 2018), pursuant to which the Offeror had conditionally agreed to purchase and the Selling Shareholder had conditionally agreed to sell the Sale Shares, representing approximately 66.75% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$433,845,522.15, equivalent to HK\$0.6217 per Sale Share.

Immediately after the Sale and Purchase Completion which took place on 26 July 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 697,837,417 Shares, representing approximately 66.75% of the issued share capital of the Company. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is also required to make the Option Offer for the cancellation of all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

LETTER FROM CMBC SECURITIES

This letter sets out, among other things, principal terms of the Offers, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offers are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders and Optionholders and the "Letter from Optima Capital" to the Independent Board Committee as contained in this Composite Document.

THE OFFERS

Principal terms of the Offers

CMBC Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby unconditionally make the Share Offer to acquire all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and to make the Option Offer for the cancellation of all the outstanding Options in accordance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

The Share Offer

For each Offer Share held HK\$0.6217 in cash

The Share Offer Price of HK\$0.6217 for each Offer Share is the same as the purchase price that has been paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement.

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made, i.e., the date of this Composite Document.

LETTER FROM CMBC SECURITIES

The Option Offer

For cancellation of each outstanding Option:

Date of grant	Exercise price per Option (HK\$)	Number of new Shares to be issued upon exercise of Options by Optionholders	Offer price per Option (HK\$)
6 July 2009	0.229	13,280,000	0.3927 in cash

As at the Latest Practicable Date, the Company has 13,280,000 outstanding Options as disclosed above. The Option Offer to cancel each Option will be calculated on a see-through basis pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options with details as set out above.

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue and 13,280,000 outstanding Options. Save as disclosed above, as at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The procedures for acceptance and further details of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Total Consideration for the Offers

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the making of the Offers and on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$649,925,159.

Assuming that all the 13,280,000 outstanding Options are fully exercised prior to the making of the Offers, there will be 1,058,679,967 Shares in issue and, on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$658,181,335.

LETTER FROM CMBC SECURITIES

On the basis the Offeror and parties acting in concert with it will own 697,837,417 Shares immediately after the Sale and Purchase Completion, (i) assuming no Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$221,294,693, (ii) assuming all Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$224,335,813.

Comparisons of value

The Share Offer Price of HK\$0.6217 represents:

- (a) a premium of approximately 139.12% over the closing price of the Shares of HK\$0.260 per Share as quoted on the Stock Exchange on the last Trading Day prior to the suspension of trading in the Shares pending the publication of the Memorandum Announcement;
- (b) a discount of approximately 21.30% to the closing price of the Shares of HK\$0.790 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 26.16% to the average closing price of the Shares of approximately HK\$0.842 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (d) a premium of approximately 169.13% over the audited net asset value attributable to equity holders 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 Latest Practicable Date; and
- (e) a discount of approximately 7.21% to the closing price of the Shares of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share price

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.49 on 18 April 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.206 on 13 February 2018.

LETTER FROM CMBC SECURITIES

Confirmation of financial resources available for the Offers

The Offeror intends to finance the consideration payable under, among others, the Offers and the Sale and Purchase Agreement by a term loan facility provided by CMBC Securities and the Offeror's internal financial resources. CMBC International Capital, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offers.

Payment

Payment in cash in respect of acceptance of the Offers will be made as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) after the date on which the duly completed acceptance of the Offers and the relevant documents of title in respect of such acceptance are received by or for the Offeror to render each such acceptance complete and valid.

Effect of accepting the Offers

By validly accepting the Share Offer, Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of posting of this Composite Document by or on behalf of the Offeror in respect of the Offers.

By validly accepting the Option Offer, Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, that is, the date of posting of this Composite Document by or on behalf of the Offeror in respect of the Offers. Optionholders should note that under the rules of the Share Option Scheme, all Options that remain unexercised will lapse automatically and not be exercisable (to the extent not already exercised) upon the close of the Offers.

The Offers are unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offers shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in section 5 headed "Right of Withdrawal" in Appendix I to this Composite Document.

LETTER FROM CMBC SECURITIES

Overseas Shareholders

The making of the Offers to persons who are not Hong Kong residents may be affected by the laws and regulations of the relevant jurisdictions. The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Acceptance by any Overseas Shareholders will be deemed to constitute a representation and a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offers. Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Hong Kong Stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

LETTER FROM CMBC SECURITIES

INFORMATION ON THE OFFEROR

The Offeror 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;
- (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;

LETTER FROM CMBC SECURITIES

- (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 Offeror, 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.

INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 758). 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 following table is a summary of certain financial information of the Group for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	298,688	154,401	36,275
Gross profit	19,588	6,850	5,237
Loss after tax attributable to owners of the Company	69,434	36,495	44,895

Note: The figures have taken into account both continuing and discontinued operations.

The audited net asset value of the Group as at 31 December 2017 was approximately HK\$294,648,000. Details of financial information of the Group are set out in Appendix II to this Composite Document.

LETTER FROM CMBC SECURITIES

INTENTION OF THE OFFEROR ON THE REMAINING GROUP

Following the close of the Offers, it is the intention of the Offeror 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 business of the Company, dispose of any existing business of the Group or acquire any business or assets immediately after the Sale and Purchase Completion and the close of the Offers. The Offeror 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 Offeror will present suitable propositions to the Company in due course. However, as of the date of this letter, no such business opportunities have been identified by the Offeror nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group. Also, the Offeror 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 Offeror's plan in respect of the Company is in the best interest of the Company and the Shareholders as a whole.

PROPOSED CHANGES TO THE COMPOSITION OF THE BOARD

The Board is currently made up of nine Directors, comprising five executive directors, namely Mr. Zhou Chu Jian He, Mr. Zhang Min, Mr. Zhou Jianren, Mr. Xiang Xianhong and Mr. Lei Shuguang; one non-executive director, namely Mr. Jorge Edgar Jose Muñiz Ziches; and three independent non-executive directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.

LETTER FROM CMBC SECURITIES

In compliance with Rule 7 of the Takeovers Code, it is intended the following existing executive Directors and non-executive Director as at the Latest Practicable Date will resign with effect from the earliest time permitted under the Takeovers Code (that is, upon the first Closing Date of the Offers). Mr. Zhou Chu Jian He, Mr. Zhang Min, Mr. Xiang Xianhong and Mr. Lei Shuguang intend to resign as executive Directors; and Mr. Jorge Edgar Jose Muñiz Ziches intends to resign as a non-executive Director, all with effect from the first Closing Date of the Offer.

The Offeror intends to nominate Mr. Fu Kwan, Mr. Zhang Jian, Ms. Liu Jing, Mr. Chan Yuek and Mr. Zhang Bishu to the Board for appointment with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code (that is, with effect from immediately after posting of this Composite Document). The biographies of the new Directors are set out in the joint announcement in relation to the despatch of the Composite Document dated 1 August 2018.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

MAINTAINING THE PUBLIC FLOAT AND THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror, and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

LETTER FROM CMBC SECURITIES

PROCEDURES FOR ACCEPTANCE OF THE OFFERS

To accept any of the Offers, Independent Shareholders and Optionholders should complete the accompanying relevant Form(s) of Acceptance in accordance with the instructions printed thereon. The Form(s) of Acceptance form part of the terms of the relevant Offers. The completed Form(s) of Acceptance should then be forwarded, together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) stating the number of Shares or Options in respect of the relevant Offers which you intend to accept, by post or by hand, to:

- (in case of the Share Offer) the Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Junefield Department Store Group Limited Share Offer" as soon as possible after the receipt of this Composite Document but in any event no later than 4:00 p.m. on the Closing Date; or
- (in case of the Option Offer) the company secretary of the Company at 15/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong in an envelope marked "Junefield Department Store Group Limited Option Offer" as soon as possible after the receipt of this Composite Document but in any event no later than 4:00 p.m. on the Closing Date.

No acknowledgement of receipt of any Form(s) of Acceptance and the title documents will be given.

Your attention is drawn to section 1 headed "General procedures for acceptance of the Offers" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Settlement of the Offers

Provided that the accompanying Form(s) of Acceptance, together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by:

- (in case of the Share Offer) the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Independent Shareholder in respect of the Offer Shares tendered under the Share Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar; or

LETTER FROM CMBC SECURITIES

- (in case of the Option Offer) the company secretary of the Company no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Optionholder in respect of the Options tendered under the Option Offer will be despatched to the accepting Optionholder by ordinary post at his/her/its own risk or made available for collection by relevant Optionholder from the company secretary of the Company as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the company secretary of the Company.

The consideration to which any accepting Independent Shareholder/Optionholder is entitled under the Share Offer/Option Offer will be paid by the Offeror in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty) or the Option Offer set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form(s) of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder/Optionholder.

Tax Implications

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Independent Shareholders and Optionholders on their individual tax implications, nor do they accept any responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions of their intentions with regard to the Share Offer to their nominees.

LETTER FROM CMBC SECURITIES

All documents and remittances will be sent to the Independent Shareholders and Optionholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company (in the case of the Share Offer) or the register of Optionholders of the Company (in the case of the Option Offer) or, in the case of joint holders, to the holder whose name appears first in the relevant register of the Company, as applicable. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offers as set out in the “Letter from Optima Capital” contained in this Composite Document.

Yours faithfully,
For and on behalf of
CMBC Securities Company Limited
Li Jianyang
Head of Securities

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 Muñiz 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:*

15/F, COFCO Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

1 August 2018

To the Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement issued jointly by the Offeror and the Company in relation to, among others, the Sale and Purchase Agreement and the possible Offers pursuant to Rule 3.5 of the Takeovers Code.

* *For identification purposes only*

LETTER FROM THE BOARD

As stated in the Joint Announcement, the Offeror entered into the Sale and Purchase Agreement with the Selling Shareholder and the Guarantor on 9 May 2018 (after trading hours) (which is supplemented and amended by the SPA Supplemental Agreement dated 31 May 2018), pursuant to which the Offeror conditionally agreed to purchase and the Selling Shareholder conditionally agreed to sell the Sale Shares, representing approximately 66.75% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$433,845,522.15, equivalent to HK\$0.6217 per Sale Share.

Immediately after the Sale and Purchase Completion which took place on 26 July 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 697,837,417 Shares, representing approximately 66.75% of the issued share capital of the Company. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is also required to make the Option Offer for the cancellation of all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Director and independent non-executive Directors, namely Mr. Jorge Edgar Jose Muñiz Ziches, Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, has been established to make a recommendation to the Independent Shareholders and the Optionholders (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers. 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 by the Company and approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and in particular (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers.

This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offers, the information on the Offeror and the intentions of the Offeror in relation to the Group. Further details of the terms of the Offers and the procedures for accepting the Offers are set out in Appendix I to this Composite Document and in the Form(s) of Acceptance. Your attention is also drawn to the “Letter from the Independent Board Committee” and the “Letter from Optima Capital” contained in this Composite Document.

LETTER FROM THE BOARD

THE OFFERS

Principal Terms of the Offers

As mentioned in the “Letter from CMBC Securities” on pages 9 to 21 of this Composite Document, CMBC Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is unconditionally making the Share Offer to acquire all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and the Option Offer for the cancellation of all the outstanding Options in accordance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

The Share Offer

For each Offer Share held HK\$0.6217 in cash

The Share Offer Price of HK\$0.6217 for each Offer Share is the same as the purchase price that was paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement.

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made, i.e., the date of this Composite Document.

The Option Offer

For cancellation of each outstanding Option:

Date of grant	Exercise price per Option (HK\$)	Number of new Shares to be issued upon exercise of Options by Optionholders	Offer price per Option (HK\$)
6 July 2009	0.229	13,280,000	0.3927 in cash

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 13,280,000 outstanding Options as disclosed above. The Option Offer to cancel each Option will be calculated on a see-through basis pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options with details as set out above.

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue and 13,280,000 outstanding Options. Save as disclosed above, as at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The procedures for acceptance and further details of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Total Consideration for the Offers

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the making of the Offers and on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$649,925,159.

Assuming that all the 13,280,000 outstanding Options are fully exercised prior to the making of the Offers, there will be 1,058,679,967 Shares in issue and, on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$658,181,335.

On the basis that the Offeror and parties acting in concert with it own 697,837,417 Shares immediately after the Sale and Purchase Completion, (i) assuming no Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$221,294,693, and (ii) assuming all Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$224,335,813.

Comparisons of value

The Share Offer Price of HK\$0.6217 represents:

- (a) a premium of approximately 139.12% over the closing price of the Shares of HK\$0.260 per Share as quoted on the Stock Exchange on the last Trading Day prior to the suspension of trading in the Shares pending the publication of the Memorandum Announcement;

LETTER FROM THE BOARD

- (b) a discount of approximately 21.30% to the closing price of the Shares of HK\$0.790 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 26.16% to the average closing price of the Shares of approximately HK\$0.842 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (d) a premium of approximately 169.13% over the audited net asset value attributable to equity holders 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 Latest Practicable Date; and
- (e) a discount of approximately 7.21% to the closing price of the Shares of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share price

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.49 on 18 April 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.206 on 13 February 2018.

Further information of the Offers

Please refer to the “Letter from CMBC Securities” and Appendix I contained in this Composite Document for further information in relation to the Offers, including the confirmation of financial resources available for the Offers, payment, effect of accepting the Offers, Overseas Shareholders, and Hong Kong stamp duty.

INFORMATION ON THE GROUP

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 (Stock code: 758). 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 following table sets out a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2015, 2016 and 2017, as extracted from the annual reports of the Company for the years ended 31 December 2015, 2016 and 2017.

LETTER FROM THE BOARD

The Group did not have any items which were exceptional because of size, nature or incidence for each of the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
CONTINUING OPERATIONS			
Revenue	<u>36,275</u>	<u>154,401</u>	<u>298,688</u>
Loss before income tax from continuing operations	(63,891)	(51,881)	(73,764)
Income tax credit/(expense)	<u>1,029</u>	<u>2,195</u>	<u>(201)</u>
Loss for the year from continuing operations	(62,862)	(49,686)	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	<u>–</u>	<u>(1,953)</u>	<u>(1,897)</u>
Loss for the year	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Attributable to:			
Owners of the Company	(44,895)	(36,495)	(69,434)
Non-controlling interests	<u>(17,967)</u>	<u>(15,144)</u>	<u>(6,428)</u>
	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Loss per Share attributable to owners of the Company Basic and diluted (<i>HK cents per share</i>)			
For loss for the year	<u>(4.29)</u>	<u>(3.50)</u>	<u>(6.78)</u>
For loss from continuing operations	<u>(4.29)</u>	<u>(3.27)</u>	<u>(6.53)</u>

Details of the financial information of the Company are set out in Appendix II to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Sale and Purchase Completion; (ii) immediately after Sale and Purchase Completion and as at the Latest Practicable Date; and (iii) immediately after Sale and Purchase Completion but before close of the Offers (assuming all Options have been exercised at or prior to close of the Offers):

	(i) Immediately prior to Sale and Purchase Completion		(ii) Immediately after Sale and Purchase Completion and as at the Latest Practicable Date		(iii) Immediately after Sale and Purchase Completion but before close of the Offers (assuming all Options have been exercised at or prior to close of the Offers)	
	Approximately		Approximately		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
Selling Shareholder	697,837,417	66.75%	-	-	-	-
Offeror and parties acting in concert with it	-	-	697,837,417	66.75%	697,837,417	65.92%
Optionholders (Note 1)	-	-	-	-	13,280,000	1.25%
Other Shareholders	347,562,550	33.25%	347,562,550	33.25%	347,562,550	32.83%
Total	1,045,399,967	100.00%	1,045,399,967	100.00%	1,058,679,967	100.00%

Notes:

1. Upon full exercise of the Options, 13,280,000 new Shares will be issued to certain Directors.
2. The above shareholding table has not taken into account the acceptances of the Offers.

FUTURE INTENTION REGARDING THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror”, “Intention of the Offeror on the remaining Group” and “Proposed changes to the composition of the Board” in the “Letter from CMBC Securities” as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group, in summary, the intention to nominate new Directors into the Board (the proposed appointment of which will take effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code (that is, with effect from immediately after posting of this Composite Document), and to continue to focus on the development of the Group’s existing businesses, and not to introduce any major changes to the existing operations and business of the Company, dispose of any existing business of the Group or acquire any business or assets immediately after the Sale and Purchase Completion and the close of the Offers, but 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 to 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 will be appropriate in order to enhance its growth, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

Pursuant to the Listing Rules, if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As disclosed in the “Letter from CMBC Securities”, the Board noted the Offeror’s intention to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offers. The directors of the Offeror, and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company’s Shares.

ADVICE AND RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out in this Composite Document which contains the recommendation of the Independent Board Committee in respect of the Offers. Your attention is also drawn to the “Letter from Optima Capital” set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors and reasons it has considered before arriving at its advice.

Taking into account the terms of the Offers and the advice from the Independent Board Committee, and the principal factors and reasons taken into account in arriving at its recommendations, the Board (excluding the members of the Independent Board Committee whose opinions have been set forth in the “Letter from the Independent Board Committee” of this Composite Document after having been advised by Optima Capital in this regard) considers that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned.

Accordingly, the Board (excluding the members of the Independent Board Committee whose opinions have been set forth in the “Letter from the Independent Board Committee” of this Composite Document after having been advised by Optima Capital in this regard) recommends the Independent Shareholders and the Optionholders to accept the Offers.

The Independent Shareholders and the Optionholders are urged to read those letters carefully before taking any action in respect of the Offers.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to, and which forms part of, this Composite Document. You are also recommended to read carefully this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offers.

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)

1 August 2018

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 1 August 2018 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to the acceptance of the Offers.

Optima Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the “Letter from CMBC Securities”, the “Letter from the Board”, the “Letter from Optima Capital” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of, Optima Capital as set out in its letter of advice, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Offers.

Notwithstanding our recommendation, the Independent Shareholders and the Optionholders should read the full text of the “Letter from Optima Capital” and consider carefully the terms of the Offers and then decide whether to accept or not to accept the Offers.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Jorge Edgar Jose Muñiz Ziches

Non-executive Director

Mr. Lam Man Sum, Albert

Mr. Cao Kuangyu

Mr. Cheung Ka Wai

Independent non-executive Directors

LETTER FROM OPTIMA CAPITAL

Set out below is the letter of advice from Optima Capital to the Independent Board Committee which has been prepared for the purpose of inclusion in this Composite Document.



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

1 August 2018

To: The Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED FOR AND ON BEHALF OF
MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in connection with the Offers. Details of the Offers are contained in the composite document of the Company dated 1 August 2018 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the letter from CMBC Securities in the Composite Document, the Offeror entered into the Sale and Purchase Agreement with the Selling Shareholder and the Guarantor on 9 May 2018 to purchase from the Selling Shareholder the Sale Shares, which represented approximately 66.75% of the issued share capital of the Company as at the date of the Joint Announcement for a consideration of HK\$433,845,522.15, equivalent to HK\$0.6217 per Sale Share.

LETTER FROM OPTIMA CAPITAL

The Sale and Purchase Completion took place on 26 July 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 697,837,417 Shares, representing approximately 66.75% of the issued share capital of the Company. Accordingly, the Offeror is required to make the Offers for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all the outstanding Options under Rule 26.1 and Rule 13 of the Takeovers Code.

The Independent Board Committee comprising all the non-executive Director and independent non-executive Directors, namely Mr. Jorge Edgar Jose Muñiz Ziches, Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, has been established to advise the Independent Shareholders and Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, 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 circular of the Company dated 29 June 2018 (the “**Circular**”) and the information set out in the Composite Document. 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 Offeror 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 Composite Document were true at the time they were made and as at the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such representations.

LETTER FROM OPTIMA CAPITAL

We have not considered the tax and regulatory implications of the Offers 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 Offeror 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 on the Offers. 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 Offeror 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 Offers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background leading to and the terms of the Offers

On 9 May 2018, the Offeror entered into the Sale and Purchase Agreement with the Selling Shareholder to purchase from the Selling Shareholder the Sale Shares, which represented approximately 66.75% of the issued share capital of the Company as at the date of the Joint Announcement for a consideration of HK\$433,845,522.15, equivalent to HK\$0.6217 per Sale Share.

The Sale and Purchase Completion took place on 26 July 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 697,837,417 Shares, representing approximately 66.75% of the issued share capital of the Company. Accordingly, the Offeror is required to make the Offers for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all the outstanding Options under Rule 26.1 and Rule 13 of the Takeovers Code.

LETTER FROM OPTIMA CAPITAL

The Share Offer is being made by CMBC Securities on behalf of the Offeror on the following basis:

For each Offer Share held HK\$0.6217 in cash

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Selling Shareholder.

The Option Offer is being made by CMBC Securities on behalf of the Offeror in accordance with Rule 13 of the Takeovers Code for the cancellation of all outstanding Options on the following basis:

For cancellation of each outstanding Option:

Date of grant	Exercise price per Option (HK\$)	Number of new Shares to be issued upon exercise of Options by Optionholders	Offer price per Option (HK\$)
6 July 2009	0.229	13,280,000	0.3927

As at the Latest Practicable Date, the Company had 13,280,000 outstanding Options as disclosed above. The Option Offer to cancel each Option is calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options with details as set out above.

Save for the outstanding Options, the Company did not have any outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company which are convertible or exchangeable into Shares as at the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

As at the Latest Practicable Date, there were 1,045,399,967 Shares and 13,280,000 Options in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the making of the Offers and on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$649,925,159.

Assuming that all the 13,280,000 outstanding Options are fully exercised prior to the making of the Offers, there will be 1,058,679,967 Shares in issue and, on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$658,181,335.

Based on the foregoing and the basis the Offeror and parties acting in concert with it will own 697,837,417 Shares immediately after the Sale and Purchase Completion, (i) assuming no Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$221,294,693, (ii) assuming all Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$224,335,813.

The Share Offer will extend to all Shares in issue other than those Shares held by the Offeror and persons acting in concert with it on the date on which the Share Offer is made, being the date of the Composite Document.

2. Information of the Group

(a) Principal business 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>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
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	<u>(31,038)</u>	<u>(147,551)</u>	<u>(279,100)</u>
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	<u>(14,782)</u>	<u>(11,686)</u>	<u>(10,978)</u>

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

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 trading of mineral concentrates business. As disclosed in 2016 Annual Report, the Group's manufacture and sale of construction materials business has been suspended since 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 concentrate 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>
	<i>(audited)</i>	<i>(audited)</i>
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	<u>357</u>	<u>504</u>
Total non-current assets	<u>313,104</u>	<u>331,407</u>
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	<u>34,290</u>	<u>33,960</u>
Total current assets	<u>127,191</u>	<u>152,323</u>

LETTER FROM OPTIMA CAPITAL

	As at 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Current liabilities:		
Accounts 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	<u>6,428</u>	<u>6,662</u>
Total current liabilities	<u>72,784</u>	<u>87,281</u>
Non-current liabilities:		
Interest-bearing bank and other borrowings	31,196	9,858
Deferred tax liabilities	<u>41,667</u>	<u>41,873</u>
Total non-current liabilities	<u>72,863</u>	<u>51,731</u>
Equity attributable to owners of the Company:		
Share Capital	104,540	104,540
Reserves	<u>137,296</u>	<u>174,298</u>
	<u>241,836</u>	<u>278,838</u>
Non-controlling interests	<u>52,812</u>	<u>65,880</u>
Total equity	<u>294,648</u>	<u>344,718</u>

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.

LETTER FROM OPTIMA CAPITAL

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.

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 subject 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.

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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.

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.

(d) Future plans of the Group

Upon the completion of the subscription of convertible bonds by the Offeror, the Company plans to use the net proceeds from the issue of the convertible bonds of approximately HK\$97.0 million to repay existing borrowings and maintain the securities investment business and the trading of mineral concentrates business.

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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 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 Offeror 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 Offeror, Mr. Fu Kwan, Mr. Zhang Bishu and Ms. Liu Jing who will be appointed as Directors of the Company after the posting of the Composite Document 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.

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 approximately HK\$32.0 million on the trading of mineral concentrates business and is considering to expand its trading portfolio to nickel. Further, the director of the Offeror, Mr. Fu Kwan, who will be appointed as a Director of the Company after the posting of the Composite Document 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 Macrolink 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 Offeror’s experience and the business background to expand its trading business.

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3. Information of the Offeror

As set out in the letter from CMBC Securities in the Composite Document, the Offeror 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;
- (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;

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- (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 Offeror, 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.

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4. Offeror's intention on the Group

As set out in the letter from CMBC Securities in the Composite Document, it is the intention of the Offeror 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 business of the Company, dispose of any existing business of the Group or acquire any business or assets immediately after the Sale and Purchase Completion and the close of the Offers. The Offeror 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 Offeror will present suitable propositions to the Company in due course. However, as of the date of this letter, no such business opportunities have been identified by the Offeror nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group. Also, the Offeror 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 Offeror's plan in respect of the Company is in the best interest of the Company and the Shareholders as a whole.

Proposed change of Board composition

The Board is currently made up of nine Directors, comprising five executive directors, namely Mr. Zhou Chu Jian He, Mr. Zhang Min, Mr. Zhou Jianren, Mr. Xiang Xianhong and Mr. Lei Shuguang; one non-executive director, namely Mr. Jorge Edgar Jose Muñoz Ziches; and three independent non-executive directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.

In compliance with Rule 7 of the Takeovers Code, it is intended the following existing executive Directors and non-executive Directors as at the Latest Practicable Date will resign with effect from the earliest time permitted under the Takeovers Code (that is, upon the first Closing Date of the Offers). Mr. Zhou Chu Jian He, Mr. Zhang Min, Mr. Xiang Xianhong and Mr. Lei Shuguang intend to resign as executive Directors; and Mr. Jorge Edgar Jose Muñoz Ziches intends to resign as a non-executive Director, all with effect from the first Closing Date of the Offer.

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The Offeror intends to nominate Mr. Fu Kwan, Mr. Zhang Jian, Ms. Liu Jing, Mr. Chan Yuek and Mr. Zhang Bishu to the Board for appointment with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code (that is, with effect from immediately after posting of this Composite Document). The biographies of the new Directors are set out in the joint announcement in relation to the despatch of the Composite Document dated 1 August 2018.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

Maintaining the public float and the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror, and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

5. Analysis of the Share Offer Price

(a) Comparison of the Share Offer Price and historical Share prices

The Share Offer Price of HK\$0.6217 per Offer 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;

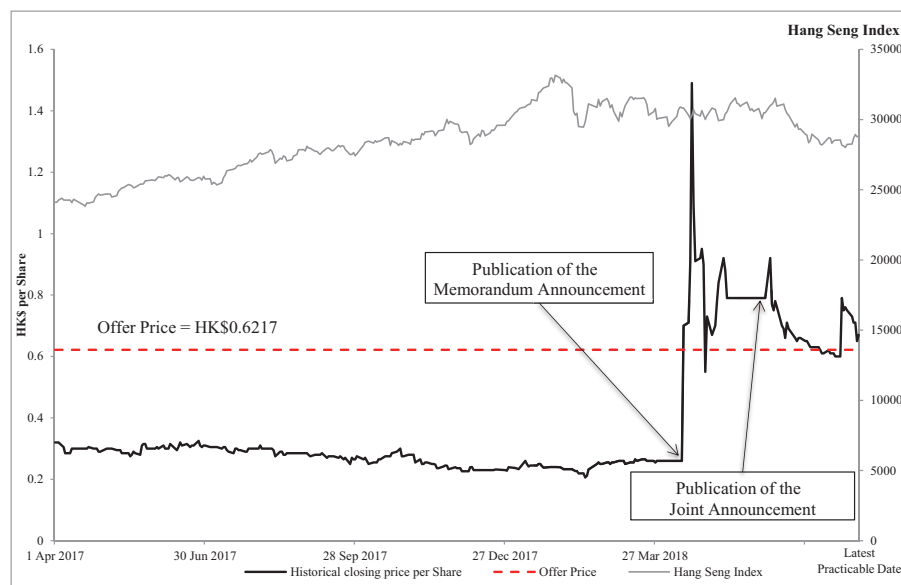
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- (iii) a discount of approximately 21.50% to the average closing price per Share of approximately HK\$0.792 per Share for the last ten consecutive Trading Days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 139.12% over 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 holders 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 Latest Practicable Date; and
- (viii) a discount of approximately 7.21% to the closing price of HK\$0.670 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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(b) *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, being the period of approximately 12 months prior to the date of the Memorandum Announcement 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.



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\$0.357, during the Review Period. Prior to the publication of the Memorandum Announcement, the closing price of the Shares 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 Shares 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 Joint 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 of convertible bonds by the Offeror.

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Subsequent to the publication of the Joint Announcement on 1 June 2018 and up to the Latest Practicable Date, the closing price of the Shares fluctuated in a range of HK\$0.600 to HK\$0.920 and the Share price closed at HK\$0.670 on the Latest Practicable Date.

(c) Liquidity of the Shares

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 number of total issued Shares <i>(Note 1, 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 <i>(Note 3)</i>	21,119,834	2.02%
June <i>(Note 3)</i>	9,524,158	0.91%
July (up to the Latest Practicable Date)	3,954,055	0.38%

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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.
3. The Joint Announcement was published on 1 June 2018. The trading in the Shares on the Stock Exchange was halted with effect from 10 May 2018 and was resumed on 4 June 2018.

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. However, the average daily trading volume of the Shares dropped to approximately 2.02% in May, approximately 0.91% in June and approximately 0.38% in July (up to the Latest Practicable Date) subsequently. In light of the thin liquidity of the Shares during the Review Period, we are of the view that the Independent Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares, and that the Share Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares.

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(d) Market comparable analysis

As illustrated in the paragraph headed “Financial performance of the Group” above, 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. The trading of mineral concentrates business is the main revenue contributor which contributed revenue of approximately HK\$233.6 million, HK\$93.4 million and HK\$27.0 million for FY2015, FY2016 and FY2017, respectively, represented approximately 78.20%, 60.46% and 74.30% of the total revenue of the Group for FY2015, FY2016 and FY2017, respectively. The revenue contribution from the business segments other than the trading of mineral concentrates business fluctuated throughout the last three financial years and each of them contributed less than 20% of the total revenue of the Group. We have attempted to search for comparable companies engaged in the same or similar business mix with the Company. However, we have not identified any comparable company with the same business mix as the Company. Given the trading of mineral concentrates business contributed a relatively significant portion of the total revenue of the Group throughout the last three financial years, we consider it necessary to include the trading of mineral concentrates business as one of the principal business as a selection criteria in identifying the comparable companies.

During the Review Period, the lowest and highest market capitalisation of the Company were approximately HK\$200 million on 13 February 2018 and approximately HK\$1,550 million on 18 April 2018 (which is several days after the publication of the Memorandum Announcement), respectively. The market capitalisation of the Company was approximately HK\$700 million as at the Latest Practicable Date.

For the purpose of assessing the fairness and reasonableness of the Share Offer Price, we have therefore conducted a search on Bloomberg of companies based on the following criteria: (a) the shares of which are listed on the Main Board of the Stock Exchange with closing market capitalisation as at the Latest Practicable Date between HK\$400 million and HK\$1,500 million and (b) the principal business of which include trading of mineral concentrates, has accounted for not less than one third of the total revenue in absolute value for their last audited full financial year as shown in their latest published annual reports available as at the Latest Practicable Date. Based on the criteria, we have identified a total of 4 comparable companies (the “**Comparable Companies**”) set out in the table below represent an exhaustive list of companies comparable to the Company based on the aforesaid criteria. Independent Shareholders and Optionholders should note that the business, scale of operation, trading prospects, target market, product mix and capital structure of the Company are not exactly the same as those of the Comparable Companies and we have not conducted any in-depth investigation into the businesses and operations of the Comparable Companies.

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As mentioned in the paragraph headed “Financial performance of the Group” in the section headed “Information of the Group” above of this letter, the Group recorded a loss attributable to owners of the Company of approximately HK\$36.5 million and HK\$44.9 million for FY2016 and FY2017 respectively. We consider that analysis of the Share Offer Price based on the earnings for FY2016 and FY2017 is not meaningful. Alternatively, we have performed an analysis of the Share Offer Price based on the historical price to book ratio (“P/B”) of the Company and the Comparable Companies, which is the most commonly used benchmark in assessing the financial valuation of a company given the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. The results are as follows:

Comparable Companies	Stock Code	Closing market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i> <i>(Note 1)</i>	Closing share price as at the Latest Practicable Date <i>(HK\$)</i> <i>(Note 1)</i>	Net assets value attributable to shareholders per share <i>(HK\$)</i> <i>(Note 2)</i>	Historical P/B <i>(Approximate times)</i> <i>(Note 3)</i>
China Strategic Holdings Limited	235	1,359.0	0.080	0.181	0.44
New Provenance Everlasting Holdings Limited	2326	737.9	0.035	0.032	1.08
Shengli Oil & Gas Pipe Holdings Limited	1080	730.2	0.223	0.478	0.47
Lee Kee Holdings Limited	637	464.1	0.560	1.340	0.42
Mean				0.508	0.60
Maximum				1.340	1.08
Minimum				0.032	0.42
The Company	758	700.4	0.670	0.231	2.90

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Notes:

1. Closing market capitalisation and share price of the Comparable Companies are sourced from Bloomberg.
2. Figures are calculated based on (i) the net assets value attributable to shareholders of the Comparable Companies as set out in their respective latest annual report or interim report available as at the Latest Practicable Date; and (ii) the number of issued shares as at the respective period end, where figures in RMB were translated at an exchange rate of HK\$1 = RMB0.8696.
3. The historical P/B of the Comparable Companies are calculated based on their respective net assets value attributable to shareholders per share as set out in note 2 above and their respective closing share price as at the Latest Practicable Date.

As set out in the table above, the historical P/B of the Comparable Companies range from approximately 0.42 times to 1.08 times, with an average of approximately 0.60 times. The implied P/B of the Share Offer of approximately 2.90 times is above the maximum and the mean of the historical P/B of the Comparable Companies.

6. Option Offer

As at the Latest Practicable Date, the Company had outstanding Options in respect of 13,280,000 Shares and the exercise price of the Options is HK\$0.229. The Options were granted under the Share Option Scheme and have a validity period from 6 July 2009 to 5 July 2019.

We note that it is a common market practice to adopt a “see-through” price (representing the difference between the share offer price and the exercise price of the Options) as the offer price for any option in conjunction with a general offer for ordinary shares. As the exercise price of all outstanding Options is HK\$0.229, the offer price of Option of HK\$0.3927 represents the difference between the Share Offer Price and the exercise price of the Share Options. Therefore, we consider such basis of determining the offer price of Options to be fair and reasonable so far as the Optionholders are concerned.

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DISCUSSION

We consider that the terms of the Offers, including the Share Offer Price and the offer price of Options, are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned after taking into account the above principal factors and reasons, in particular:

- (i) the financial results of the Group have been deteriorating over the past three financial years and the Group recorded losses of approximately HK\$52 million to approximately HK\$76 million in the last three financial years;
- (ii) the Share Offer Price represents a significant premium of approximately 140.04% and approximately 140.97% over the 5-day and 30-day average closing price of the Shares immediately prior to 6 April 2018, being the last Trading Day prior to the publication of the Memorandum Announcement, and a significant premium of approximately 169.13% over the audited net asset value attributable to equity holders of the Company as at 31 December 2017 based on 1,045,399,967 Shares in issue as at the Latest Practicable Date;
- (iii) the Share price were below the Share Offer Price at all time during the Review Period before the publication of the Memorandum Announcement. The significant increase in the Share price following the publication of the Memorandum Announcement which has been sustained up to the Latest Practicable Date may not continue after the close of the Offers;
- (iv) the liquidity of the Shares was generally low and the Independent Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares. The Share Offer provides an assured opportunity to the Independent Shareholders to realise their investments in the Company;
- (v) the price to book ratio of the Company compares favourably against those of the Comparable Companies which are engaged in businesses similar to that of the Group and with sizes that are similar to the Group; and
- (vi) the basis of determining the offer price of Options is in line with market practice and is fair and reasonable as discussed in the section headed “6. Option Offer” above.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and the Optionholders to accept the Offers.

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Please note, however, that the Shares have been traded at above the Share Offer Price lately. Accordingly, the Independent Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Share Offer. Independent Shareholders who are confident in the future prospects of the Group and who accordingly may wish to retain some of all of their investments in the Shares are reminded to closely monitor the development of the Group and any announcements of the Company during the Offer Period.

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.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFERS

To accept any of the Offers, you should complete and sign the relevant accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Offers.

1.1. The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Share Offer, you must send the duly completed **WHITE** Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Junefield Department Store Group Limited Share Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed **WHITE** Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar).

- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form(s) of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) for any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** Form(s) of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to CMBC Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form(s) of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form(s) of Acceptance is/are received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this section have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of you, the person accepting the Share Offer, executed by the registered holder) in order to establish your right to become the registered holder of the Offer Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another subparagraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the **WHITE** Form(s) of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. a grant of probate or a certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty arising in connection with the acceptances of the Share Offer will be payable by each accepting Independent Shareholder at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of each Independent Shareholder who accepts the Share Offer and will pay the buyer's ad valorem stamp duty in connection with acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any **WHITE** Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2. The Option Offer

- (a) If you wish to accept the Option Offer, you should complete the **YELLOW** Form(s) of Acceptance in accordance with the instructions printed thereon in respect of the number of Options held by you that you wish to tender under the Option Offer, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **YELLOW** Form(s) of Acceptance should be forwarded, together with the relevant certificate(s) of the Options (if applicable) and/or any other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof), stating the number of Options in respect of the Option Offer which you intend to accept, by post or by hand to the company secretary of the Company at 15/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong in an envelope marked “Junefield Department Store Group Limited Option Offer” as soon as possible after the receipt of this Composite Document but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code. Optionholders should note that according to the terms of the share option scheme, the Optionholders are entitled to exercise their Options (to the extent not exercised) in full or in part by notice in writing to the Company before the close of the Option Offer. The Options (to the extent not exercised) will lapse automatically after the close of the Option Offer on the Closing Date. Optionholders are reminded that acceptance of the Option Offer made in relation to any Option that has lapsed will not render acceptance to be valid. Optionholders are therefore recommended to consult their own professional advisers as to the exercise of the Options pursuant to the terms of the share option scheme and the implications as to accepting or rejecting the Option Offer.
- (c) No stamp duty will be deducted from the amount paid to the Optionholders who accept the Option Offer.
- (d) No acknowledgement of receipt of any **YELLOW** Form(s) of Acceptance and/or the certificate(s) of the Options will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid, Form(s) of Acceptance for the Offers must be received by the Registrar (in case of the Share Offer) and/or the company secretary of the Company (in case of the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers have previously been revised or extended with the consent of the Executive in accordance with the Takeovers Code. The Offers are unconditional and the Offers will close on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offers have been extended, revised or has expired.
- (c) The Offeror reserves the right to revise the terms of the Offers in accordance with the Takeover Codes. If the Offeror revises the terms of the Offers (in accordance with the relevant requirements under the Takeovers Code), all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (d) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers must be kept open for at least 14 days thereafter.
- (e) If the Closing Date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (f) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "Right of Withdrawal" below and duly do so.

3. EXERCISE OF OPTIONS

The Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the company secretary of the Company no later than 4:00 p.m. on the Closing Date; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form(s) of Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the share option scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form(s) of Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or CMBC Securities or their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the **WHITE** Form(s) of Acceptance. If the Optionholder fails to exercise his/her/its Options as aforesaid and in accordance with the terms and conditions of the share option scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

4. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement on the Stock Exchange's website in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offers have been revised, extended, or have expired.

- (b) The announcement must state the following:
 - (i) the total number of Offer Shares and Options for which acceptances of the Offers have been received;
 - (ii) the total number of Offer Shares and Options held, controlled or directed by the Offeror and parties acting in concert with the Offeror before the Offer Period;
 - (iii) the total number of Offer Shares and Options acquired or agreed to be acquired by the Offeror and parties acting in concert with the Offeror during the Offer Period;
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with the Offeror have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (v) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (c) In computing the total number of Offer Shares and Options represented by acceptances, only valid acceptances that are complete, in good order and satisfy the acceptance conditions set out in this Appendix and which have been received by the Registrar (in case of the Share Offer) or the company secretary of the Company (in case of the Option Offer) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

- (d) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://junefield.etnet.com.hk>).

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Independent Shareholders and the Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in section 4 of this Appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in Rule 19 of the Takeovers Code can be met.
- (c) In such case, if an accepting Independent Shareholder or Optionholder withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post or by hand and at his/her/its own risk, the relevant share certificate(s) (in respect of the Share Offer) or the relevant certificate(s) of the Options (in respect of the Option Offer) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the relevant Form(s) of Acceptance to the relevant Independent Shareholders or Optionholders.

6. SETTLEMENT OF THE OFFERS**6.1 The Share Offer**

Provided that valid **WHITE** Form(s) of Acceptance, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Independent Shareholder in respect of the Offer Shares tendered under the Share Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be paid by the Offeror in full in accordance with the terms of the Share Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

6.2 The Option Offer

Provided that the valid **YELLOW** Form(s) of Acceptance, together with the relevant certificate(s) of the Options (if applicable) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the company secretary of the Company no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Optionholder in respect of the Options tendered under the Option Offer will be despatched to the accepting Optionholder by ordinary post at his/her/its own risk or made available for collection by relevant Optionholder from the company secretary of the Company as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the company secretary of the Company.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be paid by the Offeror in full in accordance with the terms of the Option Offer set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Optionholder.

7. OVERSEAS SHAREHOLDERS

The making of the Offers to the Overseas Shareholders and may be affected by the laws and regulations of the relevant jurisdictions in which they are residents. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay.

Acceptance by any Overseas Shareholders will be deemed to constitute a representation and a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offers. Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

8. TAX IMPLICATIONS

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Independent Shareholders and Optionholders on their individual tax implications, nor do they accept any responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

9. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificates of Shares, certificates of Options (if applicable), transfer receipts and other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, and their respective ultimate beneficial owners and parties acting in concert with them, CMBC International Capital, CMBC Securities, Optima Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Share Offer by any person or persons will be deemed to constitute a representation and a warranty by such person or persons to the Offeror and CMBC Securities:
 - (i) that the Offer Shares tendered for acceptance under the Share Offer (together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions declared, made or paid, if any, by the Company, on or after the date of despatch of this Composite Document) are sold by such person or persons free from all Encumbrances; and

- (ii) that if such Independent Shareholder accepting the Share Offer is an Overseas Shareholder, he/she has observed the laws of all relevant jurisdictions in connection therewith, obtained all requisite governmental, exchange control or other consents, complied with other necessary formalities or legal requirements and paid any transfer or other taxes due from him, her or it in connection with such acceptance in all relevant jurisdictions, that he, she or it has not taken or omitted to take any action which will, or which may result in the Offeror, CMBC Securities or any other person acting or being in breach of the legal or regulatory requirements of any jurisdiction in connection with the Share Offer or his or her or its acceptance and he, she or it is permitted under all applicable laws to accept the Share Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (c) Following acceptance of the Option Offer, the tendered Options together with all rights attaching thereto will be cancelled and renounced in their entirety. In accordance with the terms of the Share Option Scheme, the Options shall automatically lapse on the date on which the Offers close. Acceptance of the Option Offer by any Optionholder will be deemed to constitute a representation and a warranty by such Optionholder that all the Options in respect of which such person accepts the Option Offer will be free from all Encumbrances and renounced together with all rights accruing or attaching thereto on the date of despatch of this Composite Document and that such Optionholder will surrender to the Company all of his/her/its existing rights, if any, in respect of the Options.
- (d) Acceptance of the Offers by any nominee will be deemed to constitute a representation and a warranty by such nominee to the Offeror that the number of Offer Shares or Options in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Offer Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.
- (e) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (f) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance or either of them to any person to whom the Offers are made shall not invalidate the Offers in any way.

- (g) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (h) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror and/or CMBC Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares and/or Options in respect of which such person or persons has/have accepted the Offers.
- (i) The Offers are made in accordance with the Takeovers Code.
- (j) References to the Offers in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.
- (k) The English text of this Composite Document and of the accompanying Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2015, 2016 and 2017, as extracted from the annual reports of the Company for the years ended 31 December 2015, 2016 and 2017.

The Group did not have any items of any income or expense which are material for each of the years ended 31 December 2015, 2016 and 2017.

	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	<u>36,275</u>	<u>154,401</u>	<u>298,688</u>
Loss before income tax			
from continuing operations	(63,891)	(51,881)	(73,764)
Income tax credit/(expense)	<u>1,029</u>	<u>2,195</u>	<u>(201)</u>
Loss for the year from continuing operations	(62,862)	(49,686)	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	<u>—</u>	<u>(1,953)</u>	<u>(1,897)</u>
Loss for the year	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Attributable to:			
Owners of the Company	(44,895)	(36,495)	(69,434)
Non-controlling interests	<u>(17,967)</u>	<u>(15,144)</u>	<u>(6,428)</u>
	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Loss per Share attributable to owners of the Company			
Basic and diluted (<i>HK cents per Share</i>)			
For loss for the year	<u>(4.29)</u>	<u>(3.50)</u>	<u>(6.78)</u>
For loss from continuing operations	<u>(4.29)</u>	<u>(3.27)</u>	<u>(6.53)</u>

The consolidated financial statements of the Group for the years ended 31 December 2015, 2016 and 2017 have been audited by the Company's independent auditor, HLB Hodgson Impey Cheng Limited ("HLB"). HLB issued qualified opinions on the consolidated financial statements of the Group for the years ended 31 December 2015 and 2016 and unqualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2017. Set out below is the qualified opinions of HLB extracted from the respective annual reports, references to page number in this section refer to the page number of the corresponding annual report of the Company.

(i) For the financial year ended 31 December 2015

Basis for qualified opinion

Included in the consolidated statement of financial position is an investment in an associate, Wuhan Plaza Management Co., Ltd. ("WPM"). WPM is an equity joint venture company established in the People's Republic of China. As further explained in notes 17(b) and 39(c) to the financial statements, the Group is in dispute with the joint venturer about the term of the joint arrangement.

WPM is carried at an amount of approximately HK\$225,832,000 on the consolidated statement of financial position as at 31 December 2015, and the Group's share of WPM's profit or loss of nil is included in the Group's consolidated statement of profit or loss for the year then ended.

We were unable to obtain sufficient appropriate audit evidence about the management financial statements and financial information of WPM for the years ended 31 December 2014 and 2015 because we did not have sufficient access to the financial information, books and records and the management of WPM. In view of the above and in the absence of any alternative procedures to be carried out in respect of the financial information of WPM, we were unable to satisfy ourselves as to whether (i) the carrying amounts of the Group's investment in WPM in the consolidated statements of financial position as at 31 December 2014 and 2015; and (ii) the Group's share of the results and other comprehensive income or expense of WPM, as included in the Group's consolidated statements of profit or loss and consolidated statements of comprehensive income for the years ended 31 December 2014 and 2015, were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments that might have been found to be necessary in respect of the abovementioned financial information could have a consequential effect on the Group's net assets as at 31 December 2014 and 2015, and the Group's results for the years then ended and related disclosures in these consolidated financial statements. In addition, the required summarised financial information of WPM is not

disclosed in accordance with Hong Kong Financial Reporting Standard 12 “Disclosure of Interests in Other Entities” issued by the Hong Kong Institute of Certified Public Accountants.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

(ii) For the financial year ended 31 December 2016

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Included in the consolidated statement of financial position as at 31 December 2015 was an investment in an associate, Wuhan Plaza Management Co., Ltd. (“WPM”). WPM is an equity joint venture company established in the People’s Republic of China. The Group was in dispute with the joint venturer about the term of the joint arrangement.

As set out in note 11 to the financial statements, during the year the Group disposed of Huaxia Group Limited and its subsidiaries, which includes its interest in WPM (collectively referred to as the “Disposal Group”), and recognised a loss on disposal of approximately HK\$2,577,000 (the “Disposal Loss”). At the date of disposal, WPM was carried at an amount of approximately HK\$225,832,000. The Group’s share of WPM’s profit or loss of nil is included in the Group’s consolidated statement of profit or loss for the current year.

We were unable to obtain sufficient appropriate audit evidence about the management financial statements and financial information of WPM for the year ended 31 December 2015 and for the period from 1 January 2016 to the date of disposal because we did not have sufficient access to the financial information, books and records and the management of WPM. In view of the above and in the absence of any alternative procedures to be carried out in respect of the financial information of WPM, we were unable to satisfy ourselves as to whether (i) the carrying amount of the Group's investment in WPM in the consolidated statement of financial position as at 31 December 2015; (ii) the Group's share of the results and other comprehensive income or expense of WPM, as included in the Discontinued Operations line item in the Group's consolidated statements of profit or loss and consolidated statements of comprehensive income for the years ended 31 December 2015 and 2016; and (iii) the carrying amount of WPM as at the date of its disposal and, consequently, the Disposal Loss, as disclosed in note 11 to the financial statements and making up part of the Discontinued Operations line item, were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments that might have been found to be necessary in respect of the abovementioned financial information could have a consequential effect on the Group's financial position as at 31 December 2015 and 2016, and the Group's financial performance for the years then ended and related disclosures in these consolidated financial statements. In addition, the required summarised financial information of WPM is not disclosed in accordance with HKFRS 12 "Disclosure of Interests in Other Entities" issued by the HKICPA.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2017 contained in the annual report of the Company for the year ended 31 December 2017 (the “**Company’s Annual Report 2017**”).

(a) Consolidated Statement of Financial Position as at 31 December 2017

Please refer to pages 55 to 56 of the Company’s Annual Report 2017.

(b) Consolidated Statement of Cash Flows for the year ended 31 December 2017

Please refer to pages 58 to 59 of the Company’s Annual Report 2017.

(c) Other Consolidated Financial Statements for the year ended 31 December 2017***(i) Consolidated Statement of Profit or Loss for the year ended 31 December 2017***

Please refer to page 53 of the Company’s Annual Report 2017.

(ii) Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

Please refer to page 54 of the Company’s Annual Report 2017.

(iii) Consolidated Statement of Changes in Equity for the year ended 31 December 2017

Please refer to page 57 of the Company’s Annual Report 2017.

(d) Significant Accounting Policies and Notes to the Audited Consolidated Financial Statements for the year ended 31 December 2017

Please refer to pages 60 to 156 of the Company’s Annual Report 2017.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial and trading position or outlook 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) up to and including the Latest Practicable Date:

- (i) As disclosed in the supplementary announcement in relation to the annual results announcement and the annual report for the year ended 31 December 2017 of the Company dated 29 May 2018 (the “**Supplementary Announcement**”), further to a meeting between the Group and the minority shareholder of Hunan Taiji Construction Material Co., Ltd. (an indirect 60%-owned subsidiary of the Company, “**Hunan Taiji**”) in February 2018, Hunan Taiji held another meeting with local authority of Loudi City in Hunan Province of the PRC (the “**Loudi Authority**”) in April 2018 to follow up the production resumption of Hunan Taiji in view of the benefits of both the local community and Hunan Taiji. At the meeting, the Loudi Authority urged the minority shareholder of Hunan Taiji to procure the supply of steel slag for production and assist Hunan Taiji to seek for financial supports for production resumption. The Loudi Authority indicated its intention to liaise with the minority shareholder of Hunan Taiji to try to come up with a solution for the signing of supply contract of steel slag. Following the aforesaid meeting, Hunan Taiji has held up exploring the possibility to have other sources from cities nearby. As of the date of the Supplemental Announcement, it was expected that Hunan Taiji’s production would be resumed in the second half of 2018. In view of the prolonged production suspension of Hunan Taiji, the Company did not have any new development plan on its construction material business; and
- (ii) as disclosed in the circular of the Company dated 29 June 2018, the Company entered into a subscription agreement with the Offeror to issue convertible bonds in the principal amount of HK\$100,000,000 which had been completed on 26 July 2018.

4. INDEBTEDNESS

At the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the total indebtedness of the Group is as follows:

Borrowings

As at the close of the business on 31 May 2018, the Group had total bank and other borrowings of approximately HK\$39,610,000, which include bank loan of approximately HK\$8,491,000 which were secured by certain of the Group's property, plant and equipment situated in Peru with an aggregate carrying value of approximately HK\$46,574,000, other loan of HK\$25,000,000 which were secured by certain of the Group's investment properties with carrying value of approximately HK\$39,199,000 and an unsecured other loan of approximately HK\$6,119,000.

Facilities

As at the close of business in 31 May 2018, the Group had aggregate banking and other facilities of approximately HK\$38,159,000, in which of approximately HK\$4,668,000 was unutilised and available for drawdown.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 May 2018, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, its associates and parties acting in concert with any of them, the terms and conditions of the Offer and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

Authorized and issued share capital

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

<i>Authorized</i>	<i>HK\$'000</i>
25,000,000,000 Shares of HK\$0.10 each	<u><u>2,500,000</u></u>
 <i>Issued and fully paid</i>	
1,045,399,967 Shares of HK\$0.10 each	<u><u>104,540</u></u>

All of the existing issued Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

Since 31 December 2017 (being the date on which the Company's latest published audited accounts were prepared) and up to and including the Latest Practicable Date, no Shares have been issued by the Company.

As at the Latest Practicable Date, the outstanding number of the Options were 13,280,000 at an exercise price of HK\$0.229 per Share. If all of such Options were exercised, a total of 13,280,000 new Shares would be issued.

As at the Latest Practicable Date, save as disclosed above, the Company had no outstanding options, warrants, derivatives or convertible securities affecting the Shares.

3. DISCLOSURE OF INTERESTS

(a) 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:

(i) 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
Nil	Nil	Nil

(ii) Long position in underlying shares – share options

The following directors of the Company have personal interests in Options to subscribe for Shares:

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share (HK\$)	
			Balance as at 1 January 2017	Granted During the year	Exercised During the year		Balance as at 31 December 2017
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.

(b) 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
The Offeror	Beneficial Owner	697,837,417	66.75%
Truly Industry Investment Company Limited	Interest of controlled corporation	697,837,417	66.75%
Fu Kwan	Interest of controlled corporation	697,837,417	66.75%

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.

4. DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period, save for Mr. Zhou, the executive Director of the Company and the chairman of the Board, selling the Sale Shares by the Selling Shareholder (which is wholly and beneficially owned by Mr. Zhou) to the Offeror under the Sale and Purchase Agreement, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

During the Offer Period and ending on the Latest Practicable Date:

- (a) none of the pension funds of the Company or any member of the Group or any persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (b) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (c) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (d) no person had irrevocably committed himself/herself/itself to accept or reject the Offer; and
- (e) none of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

5. SHAREHOLDINGS AND DEALINGS IN SHARES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors have any interest in the shares of the Offeror, and no such person (including the Company) had dealt in the shares of the Offeror during the Relevant Period.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) there was no material contract entered into by the Offeror in which any Director had a material personal interest.

7. SERVICE CONTRACTS OF DIRECTORS

Pursuant to the letter of appointment dated 12 July 2018 entered into between Mr. Zhou Jianren and the Company, Mr. Zhou Jianren was appointed as an executive Director for a term commencing from 7 July 2018 and ending on 6 July 2020 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Zhou Jianren is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 10 August 2016 entered into between Mr. Zhang Min and the Company, Mr. Zhang Min was appointed as an executive Director and Chief Executive Officer for a term commencing from 10 August 2016 and ending on 9 August 2018 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Zhang Min is entitled to a monthly emolument of HK\$100,000 together with one month year-end bonus.

Pursuant to the letter of appointment dated 24 September 2016 entered into between Mr. Lam Man Sum, Albert and the Company, Mr. Lam Man Sum, Albert was appointed as an independent non-executive Director for a term commencing from 24 September 2016 and ending on 23 September 2018 (both days inclusive), unless terminated by no less than one months' notice in writing served by either party on the other. Mr. Lam Man Sum, Albert is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 16 January 2017 entered into between Mr. Cao Kuangyu and the Company, Mr. Cao Kuangyu was appointed as an independent non-executive Director for a term commencing from 16 January 2017 and ending on 15 January 2019 (both days inclusive), unless terminated by no less than one months' notice in writing served by either party on the other. Mr. Cao Kuangyu is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 15 March 2017 entered into between Mr. Cheung Ka Wai and the Company, Mr. Cheung Ka Wai was appointed as an independent non-executive Director for a term commencing from 15 March 2017 and ending on 14 March 2019 (both days inclusive), unless terminated by no less than one months' notice in writing served by either party on the other. Mr. Cheung Ka Wai is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 2 October 2017 entered into between Mr. Zhou and the Company, Mr. Zhou was appointed as an executive Director and chairman of the Board for a term commencing from 2 October 2017 and ending on 1 October 2019 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Zhou is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 1 November 2017 entered into between Mr. Lei Shuguang and the Company, Mr. Lei Shuguang was appointed as an executive Director for a term commencing from 1 November 2017 and ending on 31 October 2019 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Lei Shuguang is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 1 November 2017 entered into between Mr. Xiang Xianhong and the Company, Mr. Xiang Xianhong was appointed as an executive Director for a term commencing from 1 November 2017 and ending on 31 October 2019 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Xiang Xianhong is entitled to a monthly emolument of HK\$15,000.

Pursuant to the letter of appointment dated 16 December 2017 entered into between Mr. Jorge Edgar Jose Muñiz Ziches and the Company, Mr. Jorge Edgar Jose Muñiz Ziches was appointed as a non-executive Director for a term commencing from 16 December 2017 and ending on 15 December 2019 (both days inclusive), unless terminated by no less than three months' notice in writing served by either party on the other. Mr. Jorge Edgar Jose Muñiz Ziches is entitled to a monthly emolument of HK\$15,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (a) was entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (b) is a continuous contract with a notice period of 12 months or more; or
- (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

8. MATERIAL CONTRACTS

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 after the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date and which are or may be material:

- (a) the Company (as tenant) and Junefield (Holdings) Limited (“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 office premises for a consideration of monthly rental of HK\$72,000 (the “**Management Services Agreement**”);
- (b) the Company and JHL entered into the termination agreement in relation to the Management Services Agreement dated 24 July 2018 to terminate the Management Services Agreement;
- (c) 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 office premises for a consideration of monthly rental of HK\$18,000; and

- (d) 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.

9. 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**”), 涟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.

10. 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 Composite Document:

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 Composite Document with the inclusion of its letter and reference to its name in the form and context in which they are included.

11. 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 15/F, COFCO Tower, 262 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 registered office of Optima Capital is situated at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in the case of any inconsistency.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group, the Selling Shareholder, their respective associates and parties acting in concert with them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.49 per Share (on 18 April 2018) and HK\$0.206 per Share (on 13 February 2018), respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the calendar months during the Relevant Period on which trading of the Shares took place:

Date	Closing Price of Shares (HK\$)
31 October 2017	HK\$0.28
30 November 2017	HK\$0.236
29 December 2017	HK\$0.239
31 January 2018	HK\$0.233
28 February 2018	HK\$0.25
29 March 2018	HK\$0.26
30 April 2018	HK\$0.67
9 May 2018 (Last Trading Day)	HK\$0.79
31 May 2018	Trading of the Shares halted
29 June 2018	HK\$0.63
27 July 2018 (Latest Practicable Date)	HK\$0.67

- (c) The closing price of the Shares on the Stock Exchange on the last trading day prior to the suspension of trading in the Shares pending the publication of the Memorandum Announcement was HK\$0.26.
- (d) The closing price of the Shares on the Stock Exchange on the Last Trading Day was HK\$0.79.
- (e) The closing price of the Shares on the Stock Exchange on the Latest Practicable Date was HK\$0.67.

3. DISCLOSURE OF INTERESTS

The Offeror confirms that, as at the Latest Practicable Date, save as disclosed below, none of the Offeror, the directors of the Offeror, nor any person acting in concert with either of them, owns or controls any Shares, convertible securities, warrants, options or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares:

Name of Shareholders	Capacity	Number of Shares Long Position	Percentage of holding Long Position
The Offeror	Beneficial Owner	697,837,417	66.75%
Truly Industry Investment Company Limited	Interest of controlled corporation	697,837,417	66.75%
Fu Kwan	Interest of controlled corporation	697,837,417	66.75%

4. ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- (a) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers;

- (b) save for the Sale and Purchase Agreement, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Offers;
- (c) there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons;
- (d) no benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “Disclosure of Interests” in this appendix, none of the Offeror, the directors of the Offeror nor any person acting in concert with either of them, owns or controls any Shares, convertible securities, warrants, options or derivatives of the Company in respect of such securities;
- (b) neither the Offeror, nor any person acting in concert with either of them had borrowed or lent any Shares, convertible securities, warrants, options or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares;
- (c) none of the Offeror, or any persons acting in concert with either of them is a party to any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons in relation to the Shares; and
- (d) no person has irrevocably committed themselves to accept or reject the Offers.

6. DEALINGS IN SECURITIES

During the Relevant Period:

- (a) save for the Sale and Purchase Agreement, none of the Offeror, nor any person acting in concert with it had dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company;
- (b) none of the directors of the Offeror have dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company; and
- (c) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with either of them, had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

7. CONSENTS AND QUALIFICATIONS

- (a) The following are the qualifications of the expert who has given opinions or advice which are contained in this Composite Document:

Name	Qualification
CMBC International Capital	a licensed corporation by SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CMBC Securities	a licensed corporation by SFC to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO

- (b) The above experts have given and have not withdrawn its written consent to the issue of this Composite Document with the inclusion of its advice, letters and/or reports (as the case may be) and references to its name and logo in the form and context in which it appears.

8. GENERAL

- (a) Set out below are details of the Offeror and their respective directors:

Registered Address

Vistra (Cayman) Limited,
P.O. Box 31119, Grand Pavilion,
Hibiscus Way, 802 West Bay Toad,
Grand Cayman, KY1-1205,
Cayman Islands

The directors of the Offeror

Fu Kwan
Feng Jianjun
Zhang Bishu
Zhang Jian
Liu Jing

- (b) Mr. Fu Kwan is a principal member of the Offeror's concert group and his address is Flat D, 40/F, Tower 2, The Altitude, 20 Shan Kwong Road, Hong Kong.
- (c) The registered office of CMBC International Capital is at Units 6601A, 6607-6608, Level 66, International Commerce Center, 1 Austin Road West, Tsim Sha Tsui, West Kowloon, Hong Kong and the registered office of CMBC Securities is at Units 6601A, 6607-6608, Level 66, International Commerce Center, 1 Austin Road West, Tsim Sha Tsui, West Kowloon, Hong Kong.
- (d) The English language text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese language text.

Copies of the following documents are available for inspection on the websites of the SFC (www.sfc.hk) and the Company (<http://junefield.etnet.com.hk>) and, during normal business hours from 10:00 a.m. to 4:00 p.m. (other than Saturdays, Sundays and public holidays of Hong Kong), at the Company's Hong Kong principal office address at 15/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Sale and Purchase Agreement and SPA Supplemental Agreement;
- (c) the memorandum of association and articles of association of the Offeror;
- (d) the annual reports of the Company for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- (e) the "Letter from CMBC Securities", the text of which is set out in this Composite Document;
- (f) the "Letter from the Board", the text of which is set out in this Composite Document;
- (g) the "Letter from the Independent Board Committee", the text of which is set out in this Composite Document;
- (h) the "Letter from Optima Capital", the text of which is set out in this Composite Document;
- (i) the material contracts referred to in the section headed "MATERIAL CONTRACTS" in Appendix III;
- (j) the joint venture agreement of Hunan Taiji Construction Material Co., Ltd. dated 30 June 2006 (as supplemented by an agreement dated 27 March 2008);
- (k) the service contracts of the Directors referred to in the section headed "SERVICE CONTRACTS OF DIRECTORS" in Appendix III; and
- (l) the written consents referred to in the section headed "EXPERT'S QUALIFICATION AND CONSENT" in Appendix III and the section headed "CONSENTS AND QUALIFICATIONS" in Appendix IV.