
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Grand Field Group Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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



鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

**CONNECTED TRANSACTION
LOAN SETTLEMENT INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the board of directors of the Company is set out on pages 5 to 27 of this circular.

A notice convening the SGM to be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 14 February 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

25 January 2019

* For identification purpose only

CONTENT

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	28
LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR	29
APPENDIX I – GENERAL INFORMATION	I-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Intra Asia Limited by the Group and completed on 28 April 2017
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the New Convertible Bonds
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning number 8 or above or a “black” rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Grand Field Group Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date on which Completion take place in accordance with the Subscription Agreement
“Conversion Price”	the conversion price of HK\$0.123 per Conversion Share
“Conversion Share(s)”	913,170,731 new Shares which may fall to be allotted and issued to the Subscribers at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Subscribers
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebted Amount”	the outstanding balance of HK\$112,320,000 owed by the Company to the Subscribers as of the date of the Subscription Agreement
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok, to advise the Independent Shareholders on the Subscription
“Independent Shareholders”	Shareholders other than Mr. Tsang, Ms. Tsang, Ms. Kwok Wai Man Nancy, Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison, Mr. Tsang Yee, Ms. Tsang Tsz Tung Debbie, Rhenfield Development Corp., together with their respective associates who are required by the Listing Rules to abstain from voting on the resolutions approving the Subscription Agreement and the transactions contemplated respectively thereunder
“Independent Financial Advisor”	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Latest Practicable Date”	22 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsang”	Mr. Tsang Wai Lun Wayland
“Ms. Tsang”	Ms. Tsang Tsz Nok Aleen
“New Convertible Bonds”	the convertible bonds with a 24 months term and 3% annual interest rate in the principal amount of HK\$112,320,000

DEFINITIONS

“Original Convertible Bonds”	the convertible bonds in the principal amount of HK\$137,000,000 issued by the Company to Ms. Tsang upon completion of the Acquisition which was expired on 28 October 2018
“Rhenfield”	Rhenfield Development Corp.
“SFC”	the Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Subscription and the grant of the Specific Mandate
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Directors by the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Mr. Tsang and Ms. Tsang
“Subscription”	the subscription of the New Convertible Bonds by the Subscribers
“Subscription Agreement”	the Subscription Agreement dated 16 November 2018 entered into by the Subscribers and the Company in respect of the Subscription (as amended and supplemented by the Supplemental Agreement)
“Supplemental Agreement”	the supplemental agreement dated 22 January 2019 to the Subscription Agreement entered into between the Company and the Subscribers to extend the long stop date to fulfill all conditions precedent to the Subscription Agreement to a date on or before 22 February 2019 (or such other time and date as the parties shall agree in writing)

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	percentage or per centum

LETTER FROM THE BOARD



鈞濠集團有限公司*
GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

Executive Directors:

Mr. Ma Xuemian (*Chairman*)
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

*Head office and Principal Place of
Business:*

Unit 1004B, 10/F.,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Non-executive Director:

Ms. Tsang Tsz Tung Debbie

Independent non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Wong Sze Lok

25 January 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
LOAN SETTLEMENT INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 16 November 2018 and 22 January 2019 in relation to the Subscription.

On 16 November 2018, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$112,320,000. The subscription amount payable by the Subscribers under the Subscription Agreement shall be satisfied by releasing the payment obligation of the Company on the Indebted Amount. On 22 January 2019, the Company and the Subscribers further entered into the Supplemental Agreement to extend the long stop date to fulfill all conditions precedent to the Subscription Agreement to a date on or before 22 February 2019 (or such other time and date as the parties shall agree in writing).

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further details of the Subscription Agreement and the transactions contemplated thereunder and the notice of SGM.

BACKGROUND OF THE LOAN SETTLEMENT

References are made to the announcements of the Company dated 24 February 2017, 24 March 2017, 19 April 2017 and 28 April 2017 and the circular of the Company dated 30 March 2017 in relation to the issue of the Original Convertible Bonds to Ms. Tsang, being one of the vendor to the Acquisition, in the principal amount of HK\$137,000,000 due on 28 October 2018, for partial settlement of the consideration of the Acquisition. On 14 August 2018, the Company exercised its option to redeem early part of the Original Convertible Bonds in the amount of HK\$24,680,000. Upon maturity of the Original Convertible Bonds on 28 October 2018, the Company has negotiated with Ms. Tsang (being the holder of the Original Convertible Bonds) and reached an mutual agreement to carry forward the outstanding principal amount of the Original Convertible Bonds of HK\$112,320,000, as a shareholder loan, which bear an annual interest rate of 3%, in view of the insufficient internal resources of the Company to redeem the outstanding principal amount of the Original Convertible Bonds of HK\$112,320,000 when they matured on 28 October 2018.

On 16 November 2018, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$112,320,000. Upon Completion, the Company shall issue to Ms. Tsang the New Convertible Bonds to settle the Indebted Amount. On 22 January 2019, the Company and the Subscribers further entered into the Supplemental Agreement to extend the long stop date to fulfill all conditions precedent to the Subscription Agreement to a date on or before 22 February 2019 (or such other time and date as the parties shall agree in writing).

THE SUBSCRIPTION AGREEMENT

Detail terms of the Subscription Agreement are as follows:

Date : 16 November 2018 (as amended and supplemented by the Supplemental Agreement)

Parties : the Company (as issuer); and

Mr. Tsang and Ms. Tsang (as Subscribers)

As at the Latest Practicable Date, Mr. Tsang, Ms. Tsang and her controlled corporation namely Rhenfield together holds 709,183,037 Shares, representing approximately 28.95% of the total number of issued Shares. Accordingly, the Subscribers are connected persons of the Company under the Listing Rules.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Subscription Agreement, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$112,320,000. The subscription amount payable by the Subscribers under the Subscription Agreement shall be satisfied by releasing the payment obligation of the Company against the Indebted Amount. Pursuant to the terms of the Subscription Agreement, the Company will issue the New Convertible Bonds to Ms. Tsang upon Completion.

Conversion Shares

The New Convertible Bonds carries the right to convert into the Conversion Shares at the Conversion Price of HK\$0.123 per Conversion Share (subject to adjustments). Assuming the conversion rights are exercised in full at the Conversion Price, 913,170,731 Conversion Shares will be allotted and issued to Ms. Tsang (subject to the conversion restrictions attached to the New Convertible Bonds) representing approximately 37.28% of the total number of issued Shares as at the Latest Practicable Date and approximately 27.16% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable to the Completion Date.

Conversion Price

The Conversion Price of HK\$0.123 per Conversion Share represents:

- (a). a premium of approximately 5.13% over the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (b). a premium of approximately 4.77% over the average closing price of HK\$0.1174 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement;
- (c). a premium of approximately 4.24% to the average closing price of approximately HK\$0.118 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the date of the Subscription Agreement;
- (d). a premium of approximately 2.50% over the average closing price of approximately HK\$0.120 per Share for the three-month period immediately prior to the date of the Subscription Agreement; and
- (e). a premium of approximately 1.65% when compared with the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Conversion Price was arrived at after arm's length negotiations between the Company (with the absent of Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie, who are relatives of Mr. Tsang and Ms. Tsang, during the negotiation) and the Subscribers with reference to the prevailing market prices of the Shares. Given that the Conversion Price of HK\$0.123 per Conversion Share represents a premium to the prevailing market prices of the Shares from item (a) to (d) as mentioned above, the Directors (excluding Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder, but including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) consider the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Application for listing

No application will be made by the Company for the listing of or permission to deal in the New Convertible Bonds on the Stock Exchange. An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (a). the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee of the Stock Exchange;
- (b). the Independent Shareholders having passed the resolutions to approve the Subscription Agreement, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate, and such approval not having been amended and having remained fully effective; and
- (c). any necessary approval, confirmation, waiver or consent by the relevant bodies or other third parties as required relating to the issue of the New Convertible Bonds having been obtained.

LETTER FROM THE BOARD

None of the above conditions is waivable. If any of the conditions cannot be fulfilled on or before 22 February 2019 or such later date as agreed between the Company and the Subscribers, the Subscription Agreement will lapse and the parties thereto shall be released from all obligations thereunder, save for the liabilities for any antecedent breaches of the terms of the Subscription Agreement.

Completion

Completion shall take place within five (5) Business Days after fulfillment of all conditions.

LETTER FROM THE BOARD

THE NEW CONVERTIBLE BONDS

Principal terms of the New Convertible Bonds are summarised as follows:

Issuer	:	the Company
Principal amount	:	HK\$112,320,000
Conversion price	:	HK\$0.123 per Conversion Share (subject to adjustments in the manner as described in the clause “Adjustment event” below)
Maturity Date	:	the date falling on the 24 months from the date of issue of the New Convertible Bonds
Interest	:	3% per annum on the principal amount of New Convertible Bonds, which shall be payable half yearly
Conversion Shares	:	a maximum of 913,170,731 new Shares (subject to adjustments), of a par value of HK\$0.10 each to be issued upon conversion of the New Convertible Bonds
Conversion Period	:	the period commencing on the date of issue of the New Convertible Bonds and expiring on the Maturity Date
Redemption	:	unless previously converted, the New Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding. The Company shall have the right to redeem the whole or any part(s) of the principal amount of the New Convertible Bonds at any time on any Business Day prior to the Maturity Date

LETTER FROM THE BOARD

Conversion rights : Bondholder will have the right to convert the New Convertible Bonds in whole or in part (in an integral multiple of HK\$500,000) of the outstanding principal amount of the New Convertible Bonds on any Business Day during the Conversion Period

Conversion right of the New Convertible Bonds shall not be exercised by the Bondholder if:

- i. the exercise of the conversion rights under the New Convertible Bonds will result in the relevant Bondholder(s), its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code;
- ii. the Company will be unable to meet the public float requirements under the Listing Rules; or
- iii. the Bondholder or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

Transferability : The New Convertible Bonds or any part(s) thereof may be assigned or transferred to any third party during the period commencing from the date of such issue and until the Maturity Date (as defined above), subject to the conditions, approvals, requirements and any other provisions of or under (i) the Stock Exchange or their rules and regulations; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations, or any others as disclosed in the instrument.

LETTER FROM THE BOARD

If the New Convertible Bonds are transferred to a connected person (as defined in the Listing Rules) (except the transfer of the New Convertible Bonds to the holding company or subsidiary of the Bondholder) of the Company or its associate(s) (as defined in the Listing Rules), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to having obtained the written consent from the Company and prior approval of the Stock Exchange (if necessary) and full compliance with the Listing Rules.

Ranking : Shares issued upon conversion will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.

Adjustment events : The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company including but not limited to the following:

(a) Consolidation or subdivision:

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

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

where:

A = the revised nominal amount; and

B = the former nominal amount.

LETTER FROM THE BOARD

Each such adjustment shall be effective from the close of business in Hong Kong on the date on which the consolidation or sub-division becomes effective.

(b) Capitalisation of earnings or reserves:

If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or, if any, capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

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

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

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

LETTER FROM THE BOARD

(c) Capital distribution:

If and whenever the Company shall make any capital distribution (except where, and to the extent that, the Conversion Price falls to be adjusted under subparagraph (b) above) to Bondholders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

A = the market price of one Share on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by a reputable commercial bank or an authorized financial advisor or auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share.

LETTER FROM THE BOARD

Provided that:

- (i) if in the opinion of the reputable commercial bank or the relevant authorized financial advisor or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if B meant the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (ii) the provisions of this sub-paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant.

LETTER FROM THE BOARD

- (d) Offer of new Shares for subscription by way of rights issue or open offer, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 80% of the then market price per Share to Shareholders:

If and whenever the Company shall offer to the Shareholders to subscribe for any new Shares by way of rights or public offering, or shall grant to the Shareholders to subscribe for any new Shares by way of any options or warrants, in each case at a price which is less than 80 per cent of the market price on the last dealing day preceding the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately on the last dealing day preceding the date of the announcement by the following fraction:

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

where:

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

B = the number of Shares which the aggregate amount (if any) payable for the rights, or for the options or warrants or other rights issued by way of rights, and for the total number of Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Share for subscription issued by the Company by way of offer, options or warrants.

LETTER FROM THE BOARD

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer.

- (e) (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent. of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

LETTER FROM THE BOARD

- (ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (i) of this sub-paragraph (e) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

LETTER FROM THE BOARD

For the purposes of this sub-paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (f) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

LETTER FROM THE BOARD

- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 80 per cent of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total Effective Consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which the Company determines the issue price for such Shares.

For the purpose of this sub-paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

The New Convertible Bonds have a maturity of 24 months, the Company plans to finance the repayment obligations of the New Convertible Bonds upon maturity by means of a combination of (i) internally generated financial resources from the Group’s existing real estate projects, in particular, future proceed from the sale of sellable premises units and/or rental income of the Group’s existing real estate projects in PRC; and (ii) equity fund raising when opportunity arise. The Company has no plan, agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) on any potential fund-raising activities in the next twelve months from the Latest Practicable Date for the purpose of repaying the New Convertible Bonds. However, the Company is currently sourcing and will continue to identify suitable investment or acquisition opportunities, in particular, any potential real estate development project in the PRC, which may require fund-raising activities. As at the Latest Practicable Date, the Company has not identified any potential investment opportunity nor has entered into any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) on any potential investment opportunity.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 2,449,554,132 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and assuming full conversion of the New Convertible Bonds into Conversion Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date:

	As at the Latest Practicable Date		Upon Completion and assuming full conversion of the New Convertible Bonds into Conversion Shares (Note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Rhenfield (Note 1)	703,668,236	28.73	703,668,236	20.93
Ms. Tsang	4,745,301	0.19	917,916,032	27.30
Mr. Tsang (Note 2)	769,500	0.03	769,500	0.02
Ms. Kwok Wai Man Nancy (Notes 2, 3)	13,435,500	0.55	13,435,500	0.40
Directors:				
Kwok Siu Bun	1,500,000	0.06	1,500,000	0.04
Chow Kwai Wa Anne	1,950,000	0.08	1,950,000	0.06
Kwok Siu Wa Alison	3,000,000	0.12	3,000,000	0.09
Public:				
Other public Shareholders	<u>1,720,485,595</u>	<u>70.24</u>	<u>1,720,485,595</u>	<u>51.16</u>
Total	<u><u>2,449,554,132</u></u>	<u><u>100.00</u></u>	<u><u>3,362,724,863</u></u>	<u><u>100.00</u></u>

Note(s):

1. Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang whose are deemed to be interested in 703,668,236 Shares pursuant to the Part XV of the SFO.
2. Mr. Tsang and Ms. Kwok Wai Man Nancy are parents of Mr. Tsang Yee and Ms. Tsang.
3. Ms. Kwok Wai Man Nancy is the spouse of Mr. Tsang.
4. The above shareholdings of the Company set out in the above table are for illustration purpose only. As one of the conversion restrictions, any exercise of conversion rights by the Bondholder shall be subjected to any requirements of the Takeovers Code, and in any event, any exercise of conversion rights by the Bondholder shall not render the Company no longer maintain the minimum public float of the Shares of not less than 25% required under the Listing Rules upon the such conversion.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in investment holdings, property development, property investment, trading of wine and trading of foods.

The Directors consider that the Subscription will allow the Company to release the immediate payment obligation on the Indebted Amount by extending the payment period by 24 months upon Completion via the issue of the New Convertible Bonds. Compared with extending the Indebted Amount, the Subscription would provide an opportunity for the Company to capitalise the New Convertible Bonds through equity and hence strengthening the financial position of the Group if the Subscribers exercise any part of the conversion rights attached to the New Convertible Bonds in future.

The Directors has considered other alternative means for raising fund to settle the Indebted Amount, such as bank borrowings, share placement, rights issue or open offer. The Company has approached more than 10 banks in PRC in attempt to obtain banking facilities to settle the Indebted Amount. However, the average annual interest rate offered by those banks ranging from approximately 8% to 9% were much higher than the coupon rate of the New Convertible Bonds of 3% per annum, while pledge of the Group's assets was also required by those banks. Given that (i) interest rate offered from banks were much higher than the coupon rate of the New Convertible Bonds; (ii) pledging of the Group's assets was required in order to secure such banking facilities; and (iii) the New Convertible Bonds provide bondholder with conversion rights to convert, in whole or in part, the principal amount into equity that would provide an opportunity for the Company to reduce its liability while the Company would need to repay the banking facilities strictly to bank in cash when they fall due, the Company considered obtaining banking facilities to settle the Indebted Amount would not be a better alternative when compared with the New Convertible Bonds.

The Company has also approached 2 financial institutions regarding the feasibility of conducting equity fund raising such as placing or subscription of new Shares, open offer or rights issue. However, having considered the unsatisfactory financial performance of the Company and the comparatively thin trading volume of the Shares and its low liquidity would require the Company to offer an obvious discount to the current market price of the Shares in order to attract potential investors, which considered to have more serious dilution impact to the Shareholders when compared to the issue of the New Convertible Bonds, the Company considered the issue of the New Convertible Bonds, with conversion price at premium to the current market price of the Shares is the best alternatives in this regard.

LETTER FROM THE BOARD

Although the allotment and issue of the Conversion Shares (for illustrative purpose only) will have a dilution effect to the existing Shareholders, having considered (i) the Conversion Price represents a premium over the market price of the Shares as of the date of the Subscription Agreement; (ii) the Company can release from pressure to immediately satisfy the Indebted Amount; and (iii) the Conversion Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company, the Directors consider that the dilution effect arising from the allotment and issue of the Conversion Shares is justifiable in this regard.

In view of the above, the Directors (excluding Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder, but including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) consider that the terms of the Subscription Agreement is on normal commercial terms or better and that the entering into of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

During the past 12 months immediately preceding the Latest Practicable Date, the Company has conducted the following equity fund raising activities:

Date of Announcement	Fund raising Activity	Dilution effects of each respective fund raising activity (Approximate %)	Cumulative dilution effects (Approximate %)	Amount of net proceeds	Intended use of proceeds	Actual use of proceeds up to the Latest Practicable Date
13 February 2018	Placing of new share under general mandate	7.0%	7.0%	Approximately HK\$18,964,000	Approximately HK\$13,890,000 for development of the Company's real estate projects on hand and the remaining for general working capital	The Company has utilized as to approximately HK\$10,364,000, HK\$2,000,000, HK\$1,600,000, and HK\$3,000,000 in respect of costs on constructing the main structure, building drainage system, town plan design, and finance costs respectively, in relation to the Company's real estate project in Shenzhen. The company has further utilized the remaining net proceeds as to approximately HK\$1,500,000 and HK\$500,000 in respect of legal & professional fees, and general administrative expense respectively.
27 June 2018	Open offer	33.3%	38.0%	Approximately HK\$94,228,769	Approximately HK\$60,000,000 towards partial settlement of the committed capital injection into the Company's subsidiary namely Shenzhen Zongke Real Estate Co., Ltd.; (ii) approximately HK\$30,000,000 will be reserved for partial redemption of the Original Convertible Bonds; and (iii) the rest of the net proceeds for general working capital of the Company.	The Company has applied the net proceeds from the open offer as to (i) HK\$60,000,000 for partial settlement of the committed capital injection into the Company's subsidiary namely Shenzhen Zongke Real Estate Co., Ltd.; (ii) HK\$24,680,000 for partial redemption of the Original Convertible Bonds; (iii) HK\$5,326,110 for settlement of all accrued interest expense of the Original Convertible Bonds as at the date of redemption; and (iv) approximately HK\$4,222,659 for general working capital of the Group.

LETTER FROM THE BOARD

IMPLICATIONS UNDER LISTING RULES

The Subscribers and Rhenfield, which is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, are substantial Shareholders holding 709,183,037 Shares in aggregate, representing approximately 28.95% of the total number of issued Shares as at the Latest Practicable Date. Accordingly, the Subscribers are connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Given that the Subscribers have material interest in the Subscription, the Subscribers and each of their respective associates including Ms. Kwok Wai Man Nancy, Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison, Mr. Tsang Yee, Ms. Tsang Tsz Tung Debbie, Rhenfield and their respective associates are deemed to have a material interest in the Subscription and are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Shareholders have any material interest in the Subscription and the grant of the Specific Mandate.

Each of Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie, being the Directors, had abstained from voting on the Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder.

SGM AND PROXY ARRANGEMENT

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM which will be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 14 February 2019 at 11:00 a.m. at which resolution(s) will be proposed to approve, if thought fit, the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate).

Pursuant to the Listing Rules (except for administrative matters) and the bye-laws of the Company currently in force, any vote of Shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is (i) no voting trust nor other agreement nor arrangement nor understanding entered into or binding upon any Shareholders; and (ii) no obligation nor entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you propose to attend the SGM, you are requested to complete the form of proxy and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the SGM or any adjourned meeting (as the case maybe). Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting (as the case maybe) if you so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the list of shareholders who are entitled to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 11 February 2019 to Thursday, 14 February 2019 (both dates inclusive). No transfer of Shares will be registered during that period. In order to qualify to attend and vote at the SGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 8 February 2019.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Advisor. No member of the Independent Board Committee has any material interest in the Subscription.

Red Sun Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

The text of the letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 53 of this circular. The text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 28 of this circular.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (excluding Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder, but including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) considers that the Subscription (including the allotment and issue of the Conversion Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 28 of this circular which contains its views in relation to the Subscription and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate); and (ii) the letter from the Independent Financial Advisor set out on pages 29 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate) and the principal factors and reasons considered by it in arriving its opinions.

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

Yours faithfully,
By Order of the Board
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



鈞濠集團有限公司*
GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

25 January 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
LOAN SETTLEMENT INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular (the “**Circular**”) dated 25 January 2019 issued by the Company of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate) are fair and reasonable so far as the Shareholders are concerned. Red Sun Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in the letter set out on pages 29 to 53 of the Circular.

Having considered the terms of the Subscription Agreement, the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate) and taking into account the information contained in the Circular and the advice from the Independent Financial Advisor, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate).

Yours faithfully,

Mr. Hui Pui Wai Kimber

Mr. Liu Chaodong

Mr. Wong Sze Lok

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

25 January 2019

To: The Independent Board Committee and the Independent Shareholders of the Company

Dear Sirs,

CONNECTED TRANSACTION LOAN SETTLEMENT INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Conversion Shares under specific mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 25 January 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 November 2018, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$112,320,000. The subscription amount payable by the Subscribers under the Subscription Agreement shall be satisfied by discharging the payment obligation of the Company on the Indebted Amount. On 22 January 2019, the Company and the Subscribers further entered into the Supplemental Agreement to extend the long stop date to fulfill all conditions precedent to the Subscription Agreement to a date on or before 22 February 2019 (or such other time and date as the parties shall agree in writing). Completion is subject to the fulfillment of the conditions set out in the Subscription Agreement and therefore may or may not proceed. The New Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$0.123 per Conversion Share (subject to adjustments), and the New Convertible Bonds will carry an interest of 3.00% per annum and will mature on the 24 months of the issue date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Subscribers and Rhenfield, which is owned as to 50.00% by Mr. Tsang Yee and 50.00% by Ms. Tsang, are substantial Shareholders holding 709,183,037 Shares in aggregate, representing approximately 28.95% of the total number of issued Shares as at the Latest Practicable Date. Accordingly, the Subscribers are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Given that the Subscribers have material interest in the Subscription, the Subscribers and each of their respective associates including Ms. Kwok Wai Man Nancy, Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison, Mr. Tsang Yee, Ms. Tsang Tsz Tung Debbie, Rhenfield and their respective associates are deemed to have a material interest in the Subscription and are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Shareholders have any material interest in the Subscription and the grant of the Specific Mandate.

Each of Mr. Kwok Siu Bun, Ms. Kwok Siu Wa Alison and Ms. Tsang Tsz Tung Debbie, being the Directors, had abstained from voting on the Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscription and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Subscription Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; (ii) the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for our appointment as Independent Financial Adviser, we did not act as an independent financial adviser to the Group in the past two years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION AGREEMENT

In arriving at our advice with regard to the entering into of the Subscription Agreement, we have taken into consideration the following factors and reasons:

(A) Reasons for entering into the Subscription Agreement

(1) Subscription Agreement overview

The Group currently engages in five operating segments, respectively (i) investment holdings; (ii) property development; (iii) property investment; (iv) trading of wine; and (v) trading of foods.

As at the Latest Practicable Date, there were Original Convertible Bonds expired and leaving the balance of HK\$112,320,000, representing the outstanding principal amount of the Original Convertible Bonds as at the date of the Subscription Agreement, remain unsettled. References are made to the announcements of the Company dated 27 February 2017, 24 March 2017 and 28 April 2017 and the circular of the Company dated 30 March 2017 in relation to the issue of the Original Convertible Bonds to Ms. Tsang, being one of the vendor to the Acquisition, in the principal amount of HK\$137,000,000 due on 28 October 2018, for partial settlement of the consideration of the Acquisition. On 14 August 2018, the Company exercised its option to redeem early part of the Original Convertible Bonds in the amount of HK\$24,680,000. Upon maturity of the Original Convertible Bonds on 28 October 2018, the Company has negotiated with Ms. Tsang (being the holder of the Original Convertible Bonds) and reached an mutual agreement to carry forward the outstanding principal amount of the Original Convertible Bonds of HK\$112,320,000, as a shareholder loan, which bear an annual interest rate of 3%, in view of the insufficient internal resources of the Company to redeem the outstanding principal amount of the Original Convertible Bonds of HK\$112,320,000 when they matured on 28 October 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

According to the Board Letter, the Original Convertible Bonds have matured on 28 October 2018 and it was not expected that the Company would have sufficient internal resources to redeem the Original Convertible Bonds. Taking into account the financial position of the Group and given the size of the Original Convertible Bonds, the Directors consider it impracticable to secure third party financing on terms favourable to the Company to settle the Original Convertible Bonds. As at the Latest Practicable Date, the Mr. Tsang, Ms. Tsang and her controlled corporation namely Rhenfield together holds 709,183,037 Shares, representing approximately 28.95% of the total issued share capital of the Company. In light of the existing shareholding in the Company held by Mr. Tsang, Ms. Tsang and her controlled corporation and the restriction on conversion under the terms of the Original Convertible Bonds, which prohibits conversion which would trigger mandatory general offer obligations under the Takeovers Code, it was also impracticable for Mr. Tsang, Ms. Tsang and her controlled corporation to convert the Original Convertible Bonds in full at maturity. Mr. Tsang, Ms. Tsang and her controlled corporation also have no intention to exercise the conversion rights attached to the Original Convertible Bonds taking into account of the prevailing conversion price of the Original Convertible Bonds of HK\$0.226 per Share which is significantly higher than the average price on the Stock Exchange, which was approximately at HK\$0.168 for the past 12 months up to and including 16 November 2018. As such, upon negotiations between the Company and the Subscribers, the Subscribers agree to subscribe for the New Convertible Bonds which would release the payment obligation of the Company against the Indebted Amount. The New Convertible Bonds bear similar salient features as the Original Convertible Bonds such as conversion restriction and essentially are an extension of the Original Convertible Bonds, except that the conversion price is adjusted to reflect the prevailing market price of the Shares.

The Subscription demonstrates the continuous financial support provided by Mr. Tsang, Ms. Tsang and her controlled corporation to the Group and will strengthen the financial position of the Group by reducing the current liabilities associated with the Original Convertible Bonds. Based on the above, the Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(2) Business overview of the Group

Set forth below are selected items from the consolidated financial results and position of the Group for the years ended 31 December 2016 and 2017 (“FY2016” and “FY2017”) and the six months ended 30 June 2017 and 2018, respectively (“HY2017” and “HY2018”), as extracted from the Company’s annual report for the year ended 31 December 2017 (the “2017 Annual Report”) and interim report for the six months ended 30 June 2018 (the “2018 Interim Report”):

Table 1: Summary of the consolidated financial results of the Group

	HY2017 (unaudited) HK\$'000	HY2018 (unaudited) HK\$'000	FY2016 (audited) HK\$'000	FY2017 (audited) HK\$'000
Segment revenue				
General trading	1	–	3,036	70
Property development	–	–	1,412	174,834
Property investment	<u>1,094</u>	<u>1,149</u>	<u>1,809</u>	<u>3,671</u>
Consolidated	<u><u>1,095</u></u>	<u><u>1,149</u></u>	<u><u>6,257</u></u>	<u><u>178,575</u></u>
Segment profit/(loss)				
General trading	–	–	(386)	(450)
Property development	–	–	659	5,496
Property investment	<u>1,090</u>	<u>1,143</u>	<u>152,165</u>	<u>334,671</u>
Consolidated	<u><u>1,090</u></u>	<u><u>1,143</u></u>	<u><u>152,438</u></u>	<u><u>339,717</u></u>
Profit/(loss) before taxation	<u><u>(6,612)</u></u>	<u><u>(15,606)</u></u>	<u><u>108,706</u></u>	<u><u>308,514</u></u>
Profit/(loss) for the year/period	<u><u>(6,179)</u></u>	<u><u>(13,200)</u></u>	<u><u>71,172</u></u>	<u><u>231,962</u></u>
Attributable to:				
Owners of the Company	<u><u>(5,276)</u></u>	<u><u>(12,478)</u></u>	<u><u>19,166</u></u>	<u><u>127,979</u></u>
Non-controlling interests	<u><u>(903)</u></u>	<u><u>(722)</u></u>	<u><u>52,006</u></u>	<u><u>103,983</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Comparison of financial performance between HY2018 and HY2017

As set out in the 2017 Interim Report, revenue of the Group remained stable at approximately HK\$1.1 million for HY2017 and for HY2018, among which (i) the segment revenue of general trading decreased from approximately HK\$1,000 in HY2017 to nil in HY2018 due to this business was put on hold till further research and development; and (ii) the segment revenue of property investment remained stable at approximately HK\$1.1 million for HY2017 and HY2018.

The Group recorded loss for the period and loss attributable to owners of the Company of approximately HK\$13.2 million and HK\$12.5 million, as compared to approximately HK\$6.2 million and HK\$5.3 million recorded in previous period, respectively. Based on the 2017 Interim Report, the increase was primarily due to the effect of the fair value loss on convertible bonds of approximately HK\$5.1 million recognised in HY2018 which a fair value gain on convertible bonds of approximately HK\$5.1 million recognised in HY2017.

Comparison of financial performance between FY2017 and FY2016

As set out in the 2017 Annual Report, revenue of the Group increased from approximately HK\$6.3 million for FY2016 to approximately HK\$178.6 million for FY2017, among which (i) the segment revenue of general trading decreased from approximately HK\$3.0 million to approximately HK\$70,000 due to this business was put on hold till further research and development; (ii) the segment revenue of property development increased from approximately HK\$1.4 million to approximately HK\$174.8 million due to the sales of properties held for sale from Xuzhou project; and (iii) the segment revenue of property investment increased from approximately HK\$1.8 million to approximately HK\$3.7 million.

The Group recorded profit for the year and profit attributable to owners of the Company of approximately HK\$232.0 million and HK\$128.0 million, as compared to approximately HK\$71.2 million and HK\$19.2 million recorded in previous year, respectively. Based on the 2017 Annual Report, the increase was primarily due to the combined effects of (i) the increase in revenue for the year ended 31 December 2017; and (ii) the increase in fair value gain on investment properties from approximately HK\$150.4 million for the year ended 31 December 2016 to approximately HK\$330.5 million for the year ended 31 December 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Table 2: Summary of the consolidated financial position of the Group

	As at 31 December 2016	As at 31 December 2017	As at 30 June 2018
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash	13,439	5,902	19,488
Non-current assets	1,506,458	2,358,721	2,432,835
Current assets	174,372	250,541	367,279
Current (liabilities)	(67,420)	(324,130)	(410,205)
Net current assets/(liabilities)	106,952	(73,589)	(42,926)
Non-current (liabilities)	(317,163)	(470,418)	(464,830)
Total assets	1,680,830	2,609,262	2,800,114
Total (liabilities)	(384,583)	(794,548)	(875,035)
Net assets/(liabilities)	1,296,247	1,814,714	1,925,079

Movement in financial position throughout the dates indicated

Both the Group's total assets and total liabilities exhibit a gradual increasing trend throughout the dates indicated. As at 30 June 2018, the Group had total assets of approximately HK\$2,800.1 million, total liabilities of approximately HK\$875.0 million.

Among the Group's current assets of approximately HK\$367.3 million as at 30 June 2018, we noted that (i) approximately HK\$252.6 million was properties for sale under development; (ii) approximately HK\$32.0 million was properties for sale; (iii) approximately HK\$62.6 million was other receivables, deposits and prepayments; and (iv) approximately HK\$19.5 million was cash and cash equivalents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(3) Financing alternatives

We note from the Company that it has considered alternative fund-raising methods, including bank borrowings, and equity financing such as placing, rights issue or open offer, but resolved to proceed with the Subscription after taking into account the following:

On 13 March 2018, the Company completed placing of new Shares under general mandate. The net proceeds, after deducting all relevant expenses, arising from the placing amount to approximately HK\$19.0 million and the Company utilized such net proceeds for development of the Group's real estate projects on hand and for general working capital for daily operation. Besides, the Company completed an open offer with net proceeds on 14 August 2018, after deducting all relevant expenses arising from the open offer amount to approximately HK\$94.2 million and the Company utilized such net proceeds for capital injection into its subsidiary, redemption of the convertible bonds which fall due before and general working capital of the Company. The remaining net proceeds of approximately HK\$2.1 million as at the date of the Subscription Agreement from the above financing activities was not expected to be sufficient to redeem the Original Convertible Bonds. The Directors are of the view and we concur that the placing, rights issue or open offer may be difficult in a short run given that the Company has just completed the placing and the open offer within the 12-months period immediately preceding the date of the Subscription Agreement and would be subjected to further immediate dilution effect when conducting such equity fund raising.

Also, according to the 2018 Interim Report, the net asset value attributable to the equity holders of the Company and net asset value per Share attributable to the equity holders of the Company as at 30 June 2018 amounted to approximately HK\$994,187,000 and HK\$0.41 (based on 2,449,554,132 Shares in issue as at the Latest Practicable Date), respectively. It was noted that the closing price of HK\$0.117 per Share as quoted on Stock Exchange on 16 November 2018, being the date of Subscription of Agreement, represented a discount of approximately 80.5% over the net asset value per Share attributable to the equity holders of the Company as at 30 June 2018. The Directors are of the view that the placing, rights issue or open offer with reference of the prevailing market prices of the Shares will contribute to significant dilution effect on the net asset value per Share attributable to the equity holders of the Company whereas the New Convertible Bonds will not result in immediate dilution effect on the shareholding of the existing Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Besides, in relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the Group; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). The Directors believe that the time cost and administrative costs would be higher for the Company to conduct placing, right issue or open offer as compared to the issue of New Convertible Bonds. The Directors believe that the time cost would be higher for the Company to conduct preemptive issues such as right issue or open offer as compared to the issue of New Convertible Bonds, as additional time will be needed for the Company to identify underwriter(s) and the placing agent and for the financial institutes to identify potential placees, and a preemptive issue typically runs a longer timetable due to the need to issue prospectus, close the register of members to determine entitlement of Shareholders and allow a minimum 14-day subscription period. The administrative costs involved would also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred. We concur with the Directors on the point that the relatively lengthy period and much higher cost involved in a rights issue or an open offer may result in the Company being subject to the adverse effects of the recent volatility of the Shares as shown in the section headed "Comparison of the initial Conversion Price and historical price" in this letter, and therefore increase uncertainty to the investment interest for potential investors or existing Shareholders in the Company and thus the ability to raise the funds.

The Directors consider and we concur that the placing, rights issue or open offer would incur more transaction costs including but not limited to underwriting commission and such corporate exercises would have a relatively more time consuming process including the lengthy process of identifying potential placee(s) and/or underwriter(s), if applicable, and the lengthy timetable and procedures of implementing a placing, rights issue or an open offer which may affect the business plan of the Group.

In respect of bank borrowings, the Directors are of the view and we concur after reviewing the 2018 Interim Report and the information provided by the Company including but not limited to the correspondence between the Company and the banks that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks and usually requires pledge of assets by the borrower.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

According to the 2018 Interim Report, certain properties held for sales of the Group were pledged as security for the Group's existing borrowings. Without material business and assets in Hong Kong of the Company, none of the banks in Hong Kong are willing to offer alternative financing with significant amount of HK\$112,320,000 to the Company for redemption of the Original Convertible Bonds expired. As confirmed with the Directors, the Company has approached more than 10 banks in PRC in attempt to obtain banking facilities to settle the Indebted Amount. However, the annual interest rates offered by those banks ranging from approximately 8% to 9% were much higher than the coupon rate of the New Convertible Bonds of 3% per annum, while pledge of the Group's assets was also required by those banks. Assuming the interest rate offered by the above banks at 8% per annum, the cost saving in interest payment for the New Convertible Bonds would be approximately HK\$5.6 million per annum. Given that (i) interest rate offered from banks were much higher than the coupon rate of the New Convertible Bonds; (ii) pledging of the Group's assets was required in order to secure such banking facilities; and (iii) the New Convertible Bonds provide bondholder with conversion rights to convert, in whole or in part, the principal amount into equity that would provide an opportunity for the Company to reduce its liability while the Company would need to repay the banking facilities strictly to bank in cash when they fall due, the Company considered and we concur that obtaining banking facilities to settle the Indebted Amount would not be a better alternative when compared with the New Convertible Bonds.

Besides, the Company has approached 2 financial institutions regarding the feasibility of conducting equity fund raising such as placing or subscription of new Shares, open offer or rights issue. However, having considered the unsatisfactory financial performance of the Company and the comparatively thin trading volume of the Shares and its low liquidity would require the Company to offer an obvious discount to the current market price of the Shares in order to attract potential investors, which is considered to have more serious dilution impact to the Shareholders when compared to the issue of the New Convertible Bonds, the Company considered and we are of the view that the issue of the New Convertible Bonds, with conversion price at premium of approximately 1.7% over the closing prices of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$0.121 per Share which was within the price range of the Shares, from a discount of approximately 15.2% to a premium of approximately 5.13% based on our research under section headed "Principal terms of the Subscription Agreement" in this letter, is fair and reasonable and in the interest of the Company and Shareholders as a whole.

After an arms-length negotiation, the Directors agreed with the Subscribers for the maturity period of the New Convertible Bonds, being two years, and the Conversion Price of HK0.123 per Conversion Share which represents a premium to recent closing prices of the Shares. According to the Directors and we concur that, a shorter maturity period given the fluctuation of the interest rate which should be reviewed with reference to the market in a certain period of time and the Company would generate the internal financial resources from its operating activities during the maturity period to finance the periodic repayment obligations for New Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Having considered that (i) the Subscribers have indicated their willingness to subscribe for the New Convertible Bonds; (ii) the New Convertible Bonds will not result in immediate dilution effect on the shareholding of the existing Shareholders; and (iii) the difficulties of the financing methods (placing, rights issue, open offer and debt financing mentioned above; (iv) the terms offered by the banks the Directors have approached for possible financing alternative, particular for the interest rate, were not very favorable to the Company; and (v) equity fund raising advised by the financial institutions the Directors approached would contribute a serious dilution impact to the Shareholders, we concur with the Directors that the issuance of New Convertible Bonds to the Subscribers is in the interests of the Company and the Shareholders as a whole and was with the best available terms obtained on a best effort basis.

(B) Principal terms of the Subscription Agreement

(1) Key terms of the Subscription Agreement

On 16 November 2018 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscribers, pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$112,320,000. The subscription amount payable by the Subscribers under the Subscription Agreement shall be satisfied by discharging the payment obligation of the Company on the Indebted Amount. On 22 January 2019, the Company and the Subscribers further entered into the Supplemental Agreement to extend the long stop date to fulfill all conditions precedent to the Subscription Agreement to a date on or before 22 February 2019 (or such other time and date as the parties shall agree in writing).

The initial conversion price is HK\$0.123 per Conversion Share, and the New Convertible Bonds will carry an interest of 3.00% per annum on the principal amount of New Convertible Bonds, which shall be payable half yearly, and will mature on the 24 months of the issue date. The Subscription is subject to the fulfillment or, if applicable, waiver of the conditions precedent as set out in the Subscription Agreement, which included, among others, the obtaining of the listing approval from the Stock Exchange and the approval of the Independent Shareholders at the SGM.

The Conversion Price will be subject to adjustment upon the occurrence of the following events:

- (a) consolidation or subdivision;
- (b) capitalisation of earnings or reserves;
- (c) capital distribution;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (d) offer of new Shares for subscription by way of rights issue or open offer, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 80% of the then market price per Share to Shareholders;
- (e) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent. of the market price at the date of the announcement of the terms of issue of such securities, or if and whenever the rights of conversion or exchange or subscription attached to any such securities as are abovementioned are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (f) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue;
- (g) if and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined below) which is less than 80 per cent of the market price at the date of the announcement of the terms of such issue,

and we are of the view that the above adjustment mechanisms are common in the issue of convertible bonds in prevailing market. Please refer to the Board Letter for the summary of the principal terms of the Subscription Agreement.

(2) Conversion price

The Conversion Price of HK\$0.123 per Conversion Share represents:

- (a) a premium of approximately 5.13% over the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (b) a premium of approximately 4.77% over the average closing price of HK\$0.1174 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement;
- (c) a premium of approximately 4.24% to the average closing price of approximately HK\$0.118 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the date of the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (d) a premium of approximately 2.50% over the average closing price of approximately HK\$0.120 per Share for the three-month period immediately prior to the date of the Subscription Agreement.

In considering the fairness and reasonableness of the initial Conversion Price, we have conducted the following analyses:

(i) *Comparison of the initial Conversion Price with the prevailing Share price*

We note that the initial Conversion Price of HK\$0.123 per Conversion Share represents:

- a premium of approximately 1.7% over the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 5.13% over the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on 16 November 2018, being the date of the Subscription Agreement;
- a premium of approximately 5.13% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 November 2018, being approximately HK\$0.117 per Share;
- a premium of approximately 4.24% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 days up to and including 15 November 2018, being approximately HK\$0.118 per Share; and
- a discount of approximately 15.2% over the average closing price of approximately HK\$0.145 per Share for the six-month period immediately prior to the date of the Subscription Agreement.

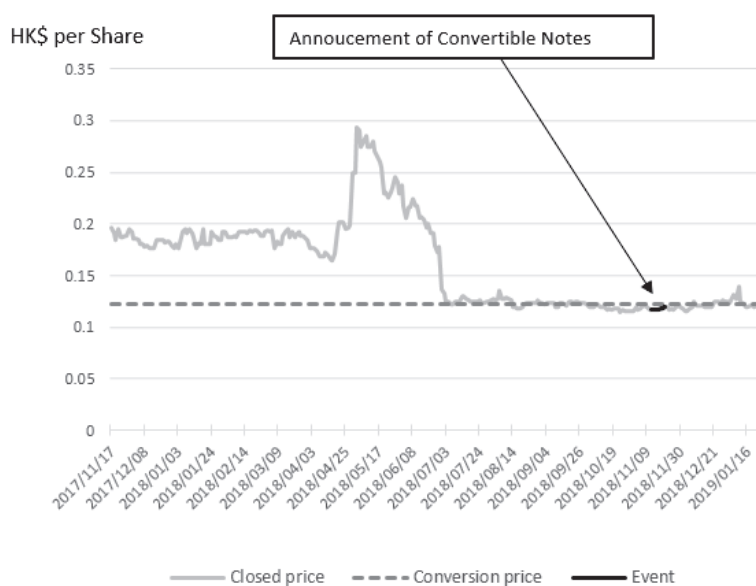
We compared the respective premium/discount over/to the closing price of the shares of such companies on the relevant date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Premium/(Discount) – Last**”), and on last five consecutive trading day immediately prior to the relevant date of agreement in relation to respective subscription/placing of convertible bonds/notes (the “**Premium/(Discount) – Five**”) as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount) – Last and Premium/(Discount) – Five represented by the initial Conversion Price. Please see the see the details in note (iv) of this section.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(ii) *Comparison of the initial Conversion Price and historical price*

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelve-month period ended on and including the date of the Subscription Agreement together with the period commencing from the date immediately after the date of the Subscription Agreement up to and including the Latest Practicable Date (the “**Review Period**”):

Chart 1: Share price performance against the Conversion Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com)

As illustrated in the diagram above, the closing prices of the Shares exhibited a generally declining trend during the Review Period. Starting from HK\$0.196 per Share at the beginning of the Review Period, the closing price of the Shares had been decreasing and reached HK\$0.165 per Share on 17 April 2018 before climbing to HK\$0.294 per Share on 3 May 2018. The closing price of the Shares then returned to a downward trend, reaching a minimum of HK\$0.114 per Share on 24 October 2018. After recovering to HK\$0.121 per Share on 7 November 2018, the closing price of the Shares has been remaining stable, marking HK\$0.121 per Share on the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

During the Review Period, the closing prices of the Shares ranged from HK\$0.114 per Share (recorded on 24 October 2018) to HK\$0.294 per Share (recorded on 3 May 2018). The initial Conversion Price falls within the above range and represents a premium of approximately 7.89% over to the lowest closing price of the Shares and a discount of approximately 58.16% to the highest closing price of the Shares during the Review Period, respectively.

(iii) Comparison of the initial Conversion Price with net asset value per Share

According to the 2018 Interim Report, the net asset value attributed to the equity holders of the Company and net asset value per Share attributed to the equity holders of the Company as at 30 June 2018 amounted to approximately HK\$994,187,000 and HK\$0.41 (based on 2,449,554,132 Shares in issue as at the Latest Practicable Date). It was noted that the Conversion Price represented a discount of approximately 70.0% over the net asset value per Share attributed to the equity holders of the Company as at 30 June 2018. However, the Conversion Price was determined with reference to the prevailing market prices of the Shares and at arm's length negotiations between the Company and the Subscribers and the Directors are of the view that determining the Conversion Price with reference of net asset value attributable to the equity holders of the Company would be difficult to encourage the Subscribers to subscribe for the New Convertible Bonds and convert the New Convertible Bonds into Shares as the net asset value per Share attributed to the equity holders of the Company was significantly higher than the prevailing market prices of the Shares and this would not be in the interests of the Company and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(iv) Trading volume analysis

We have reviewed the trading volume data in respect of the Shares during a period from the start of November 2018 to the Last Trading Day and up to and including the Latest Practicable Date as illustrated in the table below.

	Total trading volume of the Shares <i>Number of Shares</i>	Number of trading days in the month <i>Days</i>	Average daily trading volume of the Shares <i>Number of Shares</i>	Average daily trading volume as a percentage of the then total number of Shares issued <i>Approximately percentage</i>
2017				
November 2017	3,963,185	22	180,145	0.02%
December 2017	3,514,573	19	184,978	0.02%
2018				
January 2018	10,376,652	22	471,666	0.04%
February 2018	16,508,308	18	917,128	0.08%
March 2018	60,110,494	21	2,862,404	0.24%
April 2018	113,090,819	19	5,952,148	0.48%
May 2018	100,436,773	21	4,782,703	0.39%
June 2018	157,979,153	20	7,898,958	0.64%
July 2018	236,904,872	21	11,281,184	0.91%
August 2018	188,926,000	23	8,214,174	0.53%
September 2018	99,524,693	19	5,238,142	0.30%
October 2018	73,740,000	21	3,511,429	0.20%
November 2018	136,523,570	22	6,205,617	0.36%
December 2018	14,350,000	19	755,263	0.04%
2019				
January 2019 (up to and including the Latest Practicable Date)	19,837,000	15	1,322,467	0.08%

Source: The website of the Stock Exchange (www.hkex.com)

We note from the above table that the average daily trading volume in the Review Period ranged from a minimum of approximately 0.02% of total number of issued Shares (in November and December 2017) to a maximum of approximately 0.91% of total number of issued Shares (in July 2018). We also note from the above table that trading in the Shares had been rather thin during the Review Period. The relatively low liquidity of the Shares may imply lack of interest from potential investors to invest in the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(v) *Comparison with recent issues of convertible bonds/notes by other listed issuers*

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) by companies listed on the Stock Exchange that were announced during the period between 1 September 2018 and the date of the Subscription Agreement (the “Comparable Issues”) by searching through published information on the Stock Exchange’s website. Our research covers announced issues of convertible bonds/notes to both connected persons and independent third parties by companies listed on the Stock Exchange during the said period and which are issuers with similar market capitalization of the Company, i.e. below HK\$1 billion. We have excluded announced issues of convertible bonds/notes by companies with significant different scales, i.e. with market capitalization of over HK\$1 billion and we have included announced issues of convertible bonds/notes to independent third parties, we consider that our comparable analysis would be comprehensive and could represent the prevailing overall market sentiments. Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Conversion Price. Based on such criteria, we have identified 10 Comparable Issues. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of convertible bond(s) or convertible note(s) meeting the aforesaid criteria.

Issuers of the Comparable Issues	Stock code	Announcement date of the Comparable Issues	Conversion Price	Premium/	Premium/	Interest rate (annual)	Maturity period
				(Discount) – Last	(Discount) – Five		
			HK\$	Approximately %	Approximately %	Approximately %	Approximately years
				Note 1	Note 1		
Moody Technology Holdings Limited (Note 2)	1400	12/11/2018	0.360	682.61%	628.74%	8.00%	2
Asia Investment Finance Group Limited	33	29/10/2018	0.100	51.52%	61.29%	5.00%	3
Global Mastermind Holdings Limited	8063	29/10/2018	0.115	15.00%	15.46%	8.00%	2
Prosperity International Holdings (H.K.) Limited	803	24/10/2018	0.060	17.65%	15.83%	8.00%	1
Elife Holdings Limited	223	15/10/2018	0.128	30.61%	26.98%	–	2
Yanchang Petroleum International Limited	346	12/10/2018	0.076	8.57%	–	6.00%	2
Tempus Holdings Limited	6880	9/10/2018	1.276	14.95%	–	7.00%	1
China Healthwise Holdings Limited	348	8/10/2018	0.100	69.49%	63.93%	6.00%	2
Asia Energy Logistics Group Limited	351	4/9/2018	0.093	2.42%	–	2.50%	3
Lamtex Holdings Limited	1041	2/9/2018	0.270	1.89%	5.47%	4.00%	3
			Maximum	69.49%	63.93%	8.00%	3
			Minimum	1.89%	Nil	Nil	1
			Average	23.57%	21.00%	5.17%	2.1
			Median	15.00%	15.46%	6.00%	2
The Company	115	16/11/2018	0.123	5.13%	4.77%	3.00%	2

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Notes:

1. The premium/discount has been calculated based on the closing price of the shares of agreement/the average closing price of the shares for the five trading days immediately prior to the date of agreement as disclosed on the website of the Stock Exchange.
2. The case of Moody Technology Holdings Limited (stock code: 2400) which was announced on 12 November 2018 is exceptionally high (over 600.00%) when compared with those of other Comparable Issues due to the result distorted by its capital reorganization. Therefore, we excluded Moody Technology Holdings Limited in our calculation.

As illustrated in the table above, we note that the Premium/(Discount) – Last represented by the conversion prices of the Comparable Issues ranges from a premium of approximately 1.89% to a premium of approximately 60.49%, with a median of a premium of 15.00%. The Premium/(Discount) – Last represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – Last of the Comparable Issues.

We note that the Premium/(Discount) – Five represented by the conversion prices of the Comparable Issues ranges from a premium of nil to a premium of approximately 63.93%, with a median of a premium of 15.46%. The Premium/(Discount) – Five represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – Five of the Comparable Issues.

We also note that the interest rate of the Comparable Issues ranges from nil to approximately 8.00% per annum with a median of approximately 6.00% per annum. The interest rate represented by the New Convertible Bonds, being 3.00% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues.

Furthermore, it is noted that the maturity period of the Comparable Issues ranges from approximately 1 year to 3 years with a median of approximately 2 years. The maturity of the New Convertible Bonds is therefore within the range and is shorter than the average of those Comparable Issues.

As illustrated in the comparison as above, the Premium/(Discount) – Last and the Premium/(Discount) – Five represented by the conversion prices of the Comparable Issues ranges with a median of a premium of 15.00% and 15.46%, respectively, which were higher than the results represented by Conversion Price of a premium of 5.13% and 4.77% for the Premium/(Discount) – Last and the Premium/(Discount) – Five, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Having considered (i) the interest rate represented by the New Convertible Bonds, being 3.00% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues; and (ii) the maturity period of the New Convertible Bonds is within the range of the Comparable Issues; (iii) the financing needs of the Company as discussed in the paragraph headed “A. Reasons for entering into the Subscription Agreement” in this letter, we consider that the maturity period and the interest rate of the New Convertible Bonds are comparable to those demonstrated in similar recent market transactions, and thus are fair and reasonable.

In respect of the Conversion Price, the Directors are of the view that the lower premium was determined on Conversion Price was attributable to (i) the urgent funding need for redemption the Original Convertible Bonds expired; (ii) the closing price of the Shares returned to a downward trend, reaching a minimum of HK\$0.114 per Share on 24 October 2018 since the highest price recorded on 3 May 2018 during the Review Period; and (iii) the relatively lower level of Conversion Price would encourage the Bondholders to subscribe for the New Convertible Bonds and exercise the Conversion Rights and to reduce the liabilities of the Company, therefore, we consider that the Conversion Price are comparable to those demonstrated in similar recent market transactions, and thus are fair and reasonable.

(vi) Our view

Based on the totality of all of the factors mentioned above and having considered in particular that:

- (a) the Conversion Price was determined at HK\$0.123 which was higher than market value of the Shares itself (which averages at approximately HK\$0.1174 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement, and at approximately HK\$0.117 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement) and we consider that the market price is more prevailing factor in determining the fairness and reasonableness of the Conversion Price;
- (b) Notwithstanding the Premium/(Discount) – Last and Premium/(Discount) – Five represented by Conversion Price were below average of Comparable Issues, the Premium/(Discount) – Last and Premium/(Discount) – Five represented by the Conversion Price fall within the respective ranges of Comparable Issues,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (c) the Group has a funding need for redemption the Original Convertible Bonds expired;
- (d) the interest rate of the New Convertible Bonds, being 3.00% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable issues and it is agreed by the Company and the Subscribers after arms-length negotiation according to the Directors;
- (e) the maturity period of the New Convertible Bonds, being two years, falls within range and is at the average of those of the Comparable Issues and it is agreed by the Company and the Subscribers after arms-length negotiation according to the Directors where both parties agreed to a shorter maturity period given the fluctuation of the interest rate which should be reviewed with reference to the market in a certain period of time; and
- (f) having taken into account that interest on borrowing offered by banks to the Company was higher than the coupon rate of the New Convertible Bonds while pledge of the Group's assets was required upon enquiring such banks,

we are of the view that the Conversion Price, the interest rate, and the maturity period of the New Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(C) Dilution effect on the shareholding interests of the existing public Shareholders

As at Latest Practicable Date, the Company has 2,449,554,132 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and assuming full conversion of the New Convertible Bonds into Conversion Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date:

	(i) At as the Latest Practicable Date		(ii) Upon Completion and assuming full conversion of the New Convertible Bonds into Conversion Shares	
	Number of		Number of	
	Shares	Approximate %	Shares	Approximate %
Rhenfield (Note 1)	703,668,236	28.73	703,668,236	20.93
Ms. Tsang	4,745,301	0.19	917,916,032	27.30
Mr. Tsang (Note 2)	769,500	0.03	769,500	0.02
Ms. Kwok Wai Man Nancy (Note 2, Note 3)	13,435,500	0.55	13,435,500	0.40
Directors:				
Kwok Siu Bun	1,500,000	0.06	1,500,000	0.04
Chow Kwai Wa Anne	1,950,000	0.08	1,950,000	0.06
Kwok Siu Wa Alison	3,000,000	0.12	3,000,000	0.09
Public:				
Other public Shareholders	<u>1,720,485,595</u>	<u>70.24</u>	<u>1,720,485,595</u>	<u>51.16</u>
Total	<u><u>2,449,554,132</u></u>	<u><u>100.00</u></u>	<u><u>3,362,724,863</u></u>	<u><u>100.00</u></u>

Note(s):

- Rhenfield is owned as to 50.00% by Mr. Tsang Yee and 50.00% by Ms. Tsang whose are deemed to be interested in 703,668,236 Shares pursuant to the Part XV of the SFO.
- Mr. Tsang and Ms. Kwok Wai Man Nancy are parents of Mr. Tsang Yee and Ms. Tsang.
- Ms. Kwok Wai Man Nancy is the spouse of Mr. Tsang.
- The above shareholdings of the Company set out in the above table are for illustration purpose only. As one of the conversion restrictions, any exercise of conversion rights by the Bondholder shall be subjected to any requirements of the Takeovers Code, and in any event, any exercise of conversion rights by the Bondholder shall not render the Company no longer maintain the minimum public float of the Shares of not less than 25.00% required under the Listing Rules upon the such conversion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

According to the terms of New Conversion Bonds, the Bondholder shall have the right (the “Conversion Right”) to convert all or any part of the principal amount of its holding of convertible bonds for conversion shares at any time during the conversion period from the issue Date to the maturity date, provided that the Conversion Right shall not be exercised by the Bondholder if (a) the exercise of the conversion rights under the New Convertible Bonds will result in the relevant Bondholder(s), its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; or (b) the Company will be unable to meet the public float requirements under the Listing Rules; or (c) the Bondholder or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations. Therefore, the exercise of New Conversion Bonds will subject to the above restrictions and the minimum public shareholding requirement under Listing Rules shall not be affected.

Having considered that (i) the principal terms of the New Convertible Bonds are fair and reasonable as discussed above; (ii) any form of non-pro rata fund raising activities would also have dilution effect to all Shareholders; and (iii) if the Company satisfies future funding needs through the issue of consideration shares and/or other convertible securities, such issue will still have dilution effect to all existing Shareholders, we concur with the Directors’ view that the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

(D) Financial effects of the Subscriptions

(1) Effect on the net assets value

Given that the New Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards.

On the other hand, it is expected that the net asset value of the Company will increase upon conversion of the New Convertible Bonds by the Subscribers into Conversion Shares as a result of the decrease in liabilities and increase in share capital if the conversion rights attached to the New Convertible Bonds are exercised. If the conversion rights attaching to the New Convertible Bonds are not exercised or the New Convertible Bonds are not redeemed within the maturity period, the net asset value of the Group would be slightly decreased as the time goes by due to the interest payable to the Subscriber given all other financial factors remain constant. If the conversion rights attaching to the New Convertible Bonds are not exercised upon maturity of the New Convertible Bonds, the Company will have to repay the loan with interest to the Subscribers with cash. The net asset value of the Group would therefore be decreased on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(2) *Effect on gearing*

According to 2018 Interim Report, the Group's gearing ratio as computed as the Group's borrowings and liabilities component of convertible bonds over total equity was approximately 9.68% as at 30 June 2018. The Directors expect that there will not be any material adverse changes to the gearing of the Group as a result of the issue of the New Convertible Bonds subject to the new valuation report which to be prepared by an independent valuer. If the conversion rights attaching to the New Convertible Bonds are exercised, the gearing position of the Group would be improved.

If the conversion rights attaching to the New Convertible Bonds are exercised, the gearing position of the Group would be improved. If the conversion rights attaching to the New Convertible Bonds are not exercised or the New Convertible Bonds are not redeemed within the maturity period, the gearing position of the Group would be slightly worsened due to the interest payable to the Subscriber which would in turn affect the equity of the Group given all other financial factors remain constant. If the conversion rights attaching to the New Convertible Bonds are not exercised upon maturity of the New Convertible Bonds, the Company will have to repay the loan with interest to the Subscribers with cash. The gearing position of the Group would still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

(3) *Effect on liquidity*

Since the aggregate subscription price for the New Convertible Bonds of HK\$112,320,000 will be set off against the amounts due by the Company to the Subscribers under the Original Convertible Bonds, there will be no additional cash or fund injected into the Company upon Completion, which will have no material effect on the Group's cash position.

In addition, the aggregate outstanding principal amount of the Original Convertible Bonds which forms part of the current liability of the Group was set off by the New Convertible Bonds which shall mature on the second anniversary of the issue date which will form part of the noncurrent liability of the Group, the working capital position would therefore be improved after the replacement.

(4) *Effect on earnings*

As the New Convertible Bonds carries an interest of 3.00% per annum and will mature on the second anniversary of the issue date, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expenses on the New Convertible Bonds of approximately HK\$3,370,000 per annum before maturity or otherwise converted into Conversion Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

On the other hand, assuming the conversion option derivative measured at fair value with changes in fair value was recognised in consolidated statement of profit or loss, there would be impact on the Group's earnings due to the fair value measurement at each of the financial year ended upon the maturity of the New Convertible Bonds. However, the Directors expects that there will not be any material adverse changes to the earnings of the Group as a result.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu **Angel Ip**
Managing Director *Director*

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

Ms. Angel Ip is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 7 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and long interest of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to notified to the Company and the Stock Exchange were as follows:

As at the Latest Practicable Date, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Number of underlying shares held pursuant to share options	Total	Approximate percentage of the total number of issued Shares
Ma Xuemian	Beneficial Owner	–	9,880,495 (L) <i>(Note)</i>	9,880,495 (L)	0.40%
Kwok Siu Bun	Beneficial Owner	1,500,000 (L)	9,880,495 (L) <i>(Note)</i>	11,380,495 (L)	0.46%
Chow Kwai Wa Anne	Beneficial Owner	1,950,000 (L)	9,880,495 (L) <i>(Note)</i>	11,830,495 (L)	0.48%
Kwok Siu Wa Alison	Beneficial Owner	3,000,000 (L)	9,880,495 (L) <i>(Note)</i>	12,880,495 (L)	0.53%

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Number of underlying shares held pursuant to share options	Total	Approximate percentage of the total number of issued Shares
Tsang Tsz Tung Debbie	Beneficial Owner	–	9,880,496 (L) (Note)	9,880,496 (L)	0.40%
Hui Pui Wai Kimber	Beneficial Owner	–	3,851,439 (L) (Note)	3,851,439 (L)	0.16%
Liu Chaodong	Beneficial Owner	–	3,851,439 (L) (Note)	3,851,439 (L)	0.16%

(L): Long position

Note: These Shares represent the share options granted by the Company under the old share option scheme of the Company on 6 May 2016 and the share option scheme of the Company on 16 November 2016, respectively.

Save as disclosed above, as the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at Latest Practicable Date, the following persons (other than the directors or chief executive of the Company) had 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 or as otherwise notified to the Company were as follows:

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors or chief executive of the Company, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

Name of persons/corporations	Capacity/ Nature of interest	Number of Shares held	Number of underlying shares held	Approximate percentage of the total number of issued Shares
Rhenfield (Note 1)	Beneficial Owner	703,668,236	–	28.73%
Tsang Yee	Beneficial Owner	–	9,880,495 (Note 2)	0.40%
	Interest in Controlled Corporation (Note 1)	703,668,236	–	28.73%
Tsang Tsz Nok Aleen	Beneficial Owner	4,745,301	–	0.19%
	Interest in Controlled Corporation (Note 1)	703,668,236	–	28.73%
Lui Kin Chung (Note 3)	Interest of spouse	708,413,537	–	28.92%
周伟康	Beneficial Owner	148,695,140	–	6.07%

Notes:

1. Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, whose are deemed to be interested in 703,668,236 Shares pursuant to the Part XV of the SFO.
2. 7,553,925 Shares and 2,326,570 Shares represent the share options granted to Mr. Tsang Yee by the Company under the old share option scheme of the Company on 6 May 2016 and the share option scheme of the Company on 16 November 2016 respectively.
3. Mr. Lui Kin Chung is the spouse of Ms. Tsang Tsz Nok Aleen. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of Shares in which Ms. Tsang Tsz Nok Aleen is interested.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Anne and Ms. Kwok Siu Wa Alison has entered into an appointment letter with the Company for a term of three years from 1 April 2016 to 31 March 2019. Each of Ms. Tsang Tsz Tung Debbie, the non-executive Director, Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong, the independent non-executive Directors, has entered into an appointment letter with the Company for a term from 1 April 2018 to 31 March 2019 and Mr. Wong Sze Lok, the independent non-executive Director, has entered into an appointment letter with the Company for a term from 12 July 2018 to 31 March 2019. Their terms of office are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in assets or contracts or arrangements

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2017 (being the date up to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
Red Sun Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, Red Sun Capital Limited did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Red Sun Capital Limited did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2017, being the date to which the latest published and audited consolidated financial statements of the Group were made up.

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and references to its name in the form and context in which it appears.

7. MATERIAL ADVERSE CHANGE

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday except public holidays at the head office and principal place of business of the Company in Hong Kong at Unit 1004B, 10/F., Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (i). the Subscription Agreement;
- (ii). the letter of recommendation from the Independent Board Committee, the text of which is set out on page 28 in this circular;
- (iii). the letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 53 in this circular;
- (iv). the written consents from the Independent Financial Advisor referred to in the above paragraph headed “Experts’ Qualifications and Consents” in this Appendix; and
- (v). this circular.

9. MISCELLANEOUS

Should there be any discrepancies between the Chinese and English versions of this circular, the English version shall prevail.

NOTICE OF SGM



鈞濠集團有限公司^{*}
GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting (“**SGM**”) of Grand Field Group Holdings Limited (the “**Company**”) will be held at Suites 903-905, 9th Floor, Shui On Centre, 6-8, Harbour Road, Wanchai, Hong Kong on 14 February 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the conditional subscription agreement dated 16 November 2018 and the supplemental agreement dated 22 January 2019 (the “**Subscription Agreement**”) (a copy of which has been produced to the meeting marked “**A**” and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company (as issuer), Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen (collectively known as the “**Subscribers**”) in relation to the settlement of amount in the sum of HK\$112,320,000 by the Company to the Subscribers (details were disclosed in the circular of the Company dated 25 January 2019 (the “**Circular**”), a copy of which is marked “**B**” and signed by the chairman of the SGM for identification purpose and has been tabled at the SGM) and the transactions contemplated thereunder including but not limited to the issue of 3% coupon convertible bonds in the principal amount of HK\$112,320,000 (the “**New Convertible Bonds**”) which are convertible into ordinary shares of the Company (the “**Conversion Shares**”) at the conversion price of HK\$0.123 per Conversion Share (subject to adjustment) to Ms. Tsang Tsz Nok Aleen pursuant to the Subscription Agreement, and the allotment and issue of the shares of HK\$0.10 each in the share capital of the Company upon conversion of the New Convertible Bonds be and are hereby generally and unconditionally approved, confirmed and ratified;

^{*} For identification purpose only

NOTICE OF SGM

- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement and any of the transactions contemplated thereunder including but not limited to the issue of the New Convertible Bonds; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Conversion Shares.”

Yours faithfully,
By Order of the Board
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

Hong Kong, 25 January 2019

Registered Office in Bermuda:
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

*Head Office and Principal Place
of Business:*
Unit 1004B, 10/F,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. A member who is the holder of two or more shares of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and vote in his or her stead (subject to the provisions of the bye-laws of the Company). A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each proxy is so appointed.
4. In order to be valid, the form of proxy should be completed and signed in accordance with the instructions printed thereon and be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

NOTICE OF SGM

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the SGM convened by the above notice or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. The register of members of the Company will be closed from Monday, 11 February 2019 to Thursday, 14 February 2019 (both dates inclusive). No transfer of Shares will be registered during that period. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 8 February 2019.

7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Company at <http://www.gfghl.com> and the Stock Exchange at <http://www.hkexnews.hk> to notify members of the date, time and place of the rescheduled meeting.