
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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Grand Field Group Holdings Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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.



鈞濠集團

鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

**(1) CONNECTED TRANSACTION
IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 21 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Red Sun Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 53 of this circular.

A notice convening a special general meeting (the “SGM”) of the Company to be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 26 October 2022 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. 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 if you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing coronavirus disease (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending shareholders, staff and stakeholders of the Company from the risk of infection including, without limitation:

- (1) Compulsory temperature checks
- (2) Submission of health declaration form
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Any person who does not comply with the precautionary measures, is with a body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person. Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

10 October 2022

* For identification purposes only

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
PRECAUTIONARY MEASURES FOR THE SGM	5
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	24
APPENDIX – GENERAL INFORMATION	I-1
NOTICE OF THE SGM	SGM-1

DEFINITIONS

In this circular (including the cover page), unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 5 September 2022 in relation to, among other things, the Subscription
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (excluding Saturday, Sunday, any public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not 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 whose issued Shares are listed on the Stock Exchange
“Completion Date”	being the third Business Day after the fulfill or waiver (as the case may be) of all of the conditions precedent under the Subscription Agreement, or such other date as may be agreed between the parties to the Subscription Agreement in writing
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.38 per Share (subject to adjustment as set out in the New Convertible Bond, from time to time, if any)
“Conversion Right(s)”	the right(s) attaching to the New Convertible Bond to convert in whole or in part (in an integral multiple of HK\$1,000,000) the respective outstanding principal amounts into the Conversion Share(s)

DEFINITIONS

“Conversion Share(s)”	the Share(s) to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the New Convertible Bond
“Director(s)”	the director(s) of the Company
“Existing Bond”	5% convertible bond due on 22 August 2022 issued by the Company to the Subscriber which Conversion Rights attached thereto were extinguished on 22 August 2022, the outstanding principal amount of which is HK\$94,985,654.09 as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan, established for the purpose of advising the Independent Shareholders in relation to the Subscription
“Independent Financial Adviser” or “Red Sun Capital”	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 SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription
“Independent Shareholders”	Shareholders other than the Subscriber and her associates, and those who are interested in the Subscription
“Last Trading Day”	2 September 2022, being the last full trading day prior to the publication of the Announcement
“Latest Practicable Date”	3 October 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsang”	Mr. Tsang Wai Lun Wayland, father of Ms. Tsang and Mr. Tsang Yee
“New Convertible Bond”	the 6% convertible bond to be subscribed by the Subscriber under the Subscription Agreement
“Offset Arrangement”	the offset of certain net amount receivable from the Subscriber against the outstanding principal amount of the Existing Bond pursuant to the offset agreement dated 12 August 2022 entered into between the Company and the Subscriber, and details of which are set out in the announcement of the Company dated 12 August 2022
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Record Date”	being 20 October 2022, for the purpose of ascertaining Shareholders’ eligibility to attend and vote at the SGM
“Rhenfield”	Rhenfield Development Corp., a substantial Shareholder and owned as to 50% by Ms. Tsang and 50% by Mr. Tsang Yee
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Standstill Agreement”	the standstill agreement dated 12 August 2022 entered into between the Company and the Subscriber to extend the time of repayment of all amounts outstanding under the Existing Bond to 30 November 2022, and details of which are set out in the announcement of the Company dated 12 August 2022

DEFINITIONS

“Standstill Period”	the period commencing from 22 August 2022 and expiring on the earlier of (i) 30 November 2022; and (ii) the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Ms. Tsang”	Ms. Tsang Tsz Nok Aleen, a substantial Shareholder
“Subscription”	the subscription of the New Convertible Bond by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 5 September 2022 entered into between the Company and the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the New Convertible Bond
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the outbreak of coronavirus disease (COVID-19) pandemic (the “**COVID-19 Pandemic**”), to safeguard the health and safety of Shareholders who might be attending the SGM in person, the Company will implement the following precautionary measures at the SGM:

- Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the SGM venue. Any person with a body temperature above 37.2 degree Celsius, or is exhibiting any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the SGM venue and be required to leave the SGM venue.
- Shareholders, proxies and other attendees are required to comply with the latest pandemic prevention policy requirements of the Hong Kong Government. Any person who does not comply with relevant requirements will be required to leave the SGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the SGM venue at all times. Any person who does not comply with this requirement will be required to leave the SGM venue.
- No refreshments or drinks will be served at the SGM.

Shareholders who are feeling unwell are advised not to attend the SGM.

For the health and safety of Shareholders, the Company reminds Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

As the COVID-19 Pandemic continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attending the SGM and to comply with any requirements or recommendations of any government agencies from time to time. Shareholders are advised to check the websites of the Company at <https://www.gfghl.com> and the Stock Exchange at <https://www.hkexnews.hk>, for further announcements and updates on the SGM arrangements that may be issued.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19 Pandemic.

LETTER FROM THE BOARD



鈞濠集團

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 Charmaine
Ms. Kwok Siu Wa Alison

Independent Non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Tsui Matthew Mo Kan

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

Registered Office in Bermuda:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

10 October 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 August 2022 in relation to, among other things, the Standstill Agreement, and the announcement of the Company dated 5 September 2022 in relation to, among other things, the Subscription.

On 21 February 2021, the Existing Bond was issued to the Subscriber at a principal amount of HK\$99,757,011 with an interest rate of 5% per annum and a maturity date of 18 months from the date of issue.

* *For identification purposes only*

LETTER FROM THE BOARD

On 12 August 2022 (after trading hours), the Company had entered into the Standstill Agreement with the Subscriber to extend the time of repayment of all amounts outstanding under the Existing Bond to 30 November 2022 with interest rate unchanged. If the proposed subscription of the New Convertible Bond is materialised, the expiry date of the Standstill Agreement will be the date of completion of the Subscription or 30 November 2022, whichever is earlier. Moreover, the conversion rights under the Existing Bond was extinguished pursuant to its terms on 22 August 2022.

On 12 August 2022 (after trading hours), the Company had entered into an offset agreement with the Subscriber pursuant to which the principal amount of the Existing Bond as at 22 August 2022 would be reduced to HK\$94,985,654.09, arrived based on (i) the original principal amount of the Existing Bond of HK\$99,757,011.00; (ii) the outstanding interest of the Existing Bond due on 22 August 2022 of approximately HK\$2,500,757.94; and (iii) the net amount receivable from the Subscriber, excluding the provision amount(s), as at 31 July 2022 (which amounted to approximately HK\$7,272,114.85) under the deed of indemnity dated 28 April 2017 entered into by and between the Subscriber and Surplus Full Development Limited, a wholly owned subsidiary of the Company.

The purpose of this circular is to provide you with information in respect of, among other things, (i) details of the Subscription and the New Convertible Bond; (ii) recommendation from the Independent Board Committee in respect of the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) the notice of the SGM.

THE SUBSCRIPTION

On 5 September 2022 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond.

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

Subscription Agreement

Date: 5 September 2022

Parties: The Company, as issuer
Ms. Tsang, as subscriber

As at the Latest Practicable Date, the Subscriber and her controlled corporation namely, Rhenfield, together holds 70,841,353 Shares in aggregate, representing approximately 28.9% of the total number of existing issued Shares. Accordingly, the Subscriber is a substantial Shareholder and a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

Subject

The Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond at the subscription price of up to HK\$96.5 million (but no less than HK\$95.5 million) which will be fully used for the settlement the outstanding principal amount of the Existing Bond as at the Completion Date and the interest attributable to the Existing Bond.

Conditions precedent

Completion of the Subscription Agreement is conditional upon:–

- (a) the written confirmation letter provided by the Company to the Subscriber, confirming the representations, warranties and undertakings given by the Company in the Subscription Agreement remaining true, correct and not misleading in all material respects as at the Completion Date;
- (b) the certified true copy or original of the executed New Convertible Bond instrument, the certified true copies of the certificate of the New Convertible Bond and the updated register of bondholders and other relevant documents were delivered to the Subscriber by the Company;
- (c) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Shares arising from the implementation of the Conversion Shares to be issued pursuant to the New Convertible Bond and such grant remaining in full force and effect;
- (d) all necessary consents, approvals (or waivers), authorisations, permissions or exemptions from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the Subscription and the issue of the New Convertible Bond and the Conversion Shares and such consents, approvals (or waivers), authorisation, permissions or exemptions remaining in full force and effect;
- (e) the compliance by the Company with all legal and other regulations under the Listing Rules and the laws of Bermuda applicable to the transactions contemplated under the Subscription Agreement; and
- (f) the passing of the requisite respective resolutions by the Board and the Shareholders at the SGM (other than those persons who are precluded from voting under the Listing Rules) approving, *inter alia*, the transactions contemplated under the Subscription Agreement (including but not limited to the issue of the New Convertible Bond and the allotment and issue of Conversion Shares upon exercise of the Conversion Rights).

LETTER FROM THE BOARD

All conditions above are non-waivable except those conditions (b) and (c) above are waivable at the discretion of the Subscriber. The Subscriber had no intention to waive any of the waivable conditions as at the Latest Practicable Date.

In the event that the conditions of the Subscription are not fulfilled or waived (as the case may be) by 30 November 2022 at 3:00 p.m. or such other time and date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

Completion

Completion of the Subscription Agreement shall take place on the Completion Date (or such other date as may be agreed between the respective parties). It is currently expected that the Completion Date shall fall on or around 31 October 2022.

PRINCIPAL TERMS OF THE NEW CONVERTIBLE BOND

Principal amount	equivalent to the aggregate outstanding amount (including the principal amount and any outstanding accrued interest up to the Completion Date) owing by the Company to the Subscriber under the Existing Bond followed by the Offset Arrangement, which is expected to be not more than HK\$96,500,000
Maturity	the end of 18 months from the issue date of the New Convertible Bond, or, if that is not a Business Day, the first Business Day thereafter
Interest rate	6% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In case of delay in paying the principal or interest, the default interest rate will be 10% per annum.
Denomination for conversion	With a minimum aggregate amount of HK\$1,000,000 and authorized denominations(s) integral multiples thereof save that if at any time the aggregate outstanding principal amount held by a holder of the New Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be converted

LETTER FROM THE BOARD

Conversion Rights

A holder of the New Convertible Bond shall have the right to convert the whole or in part (in an integral multiple of HK\$1,000,000) of the New Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day from the date of issue of the New Convertible Bond and up to the maturity date of the New Convertible Bond, subject to the restrictions on the exercise of the Conversion Rights as set out below.

Conversion Price

Initially, HK\$0.38 per Share, subject to adjustments.

The Conversion Price shall be adjusted as provided in the New Convertible Bond instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the New Convertible Bond instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares;
- (v) an issue being made by the Company of 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 in the New Convertible Bond instrument) initially receivable for such securities is less than 80% of the market price;

LETTER FROM THE BOARD

(vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price; and

(vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the New Convertible Bond instrument) less than 80% of the market price.

Transferability

Freely transferrable, in whole or any part of the outstanding principal amount, to any person, subject to the terms of the New Convertible Bond (as the case may be), the Listing Rules and all applicable laws and regulations

Ranking

The Conversion Shares to be issued upon the exercise of the Conversion Rights will be credited as fully paid and 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 for which falls on a date on or after the date of their issue.

Voting

A holder of the New Convertible Bond will not be entitled to receive notices of, attend or vote at any Shareholders' meetings of the Company by reason only of it being a holder of the New Convertible Bond.

Redemption and repurchase

The Company shall redeem at 100% of the outstanding principal amount of the New Convertible Bond (as the case may be) on the maturity date.

LETTER FROM THE BOARD

The Company shall have the right to redeem the whole or any part(s) of the principal amount of the New Convertible Bond, with an aggregate amount of HK\$1,000,000 and authorised denominations(s) integral multiples thereof (if at any time the aggregate outstanding principal amount held by a holder of the New Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any Business Day prior to the maturity date by giving prior notice of not less than thirty (30) days in writing to the holder of the New Convertible Bond. The New Convertible Bond(s) or any part thereof so redeemed shall forthwith be cancelled by the Company.

Status

The obligations of the Company arising under the New Convertible Bond constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

LETTER FROM THE BOARD

Restriction on the exercise of the Conversion Rights

The holder(s) of the New Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) 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 holder(s) 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.

Application for listing

No application shall be made to Stock Exchange for the listing of the New Convertible Bond. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

Assuming full conversion of the maximum principal amount of the New Convertible Bond of HK\$96.5 million at the initial Conversion Price, a total of maximum 253,947,368 Shares with aggregate nominal value of HK\$0.01 will be issued, representing approximately 103.7% of the total number of existing issued Shares and approximately 50.9% of the total number of existing issued Shares as enlarged by the issue of the Conversion Shares.

Investors shall note that the conversion of the New Convertible Bond is subject to the conversion restrictions under the New Convertible Bond as set out above.

Maturity

The maturity of the New Convertible Bond was arrived after arm's length negotiation between the Company and the Subscriber after taking into account the maturity of the Existing Bond, the impact of the latest market condition of the property development industry in the PRC, the performance of the bond market and the cash levels of the Group as at 31 December 2021 and 30 June 2022.

LETTER FROM THE BOARD

The Directors have reviewed the following 12 precedents of issuing convertible debt securities (except for issuance for acquisitions) announced within three months prior to the date of the Subscription Agreement. These companies are listed on the Main Board of the Stock Exchange, but may or may not engage in businesses which are comparable to the Group, while the Directors consider that these precedents are relevant to the Subscription as they involved the issue of convertible debt securities.

Date of announcement	Company name	Stock Code	Maturity
8 June 2022	China Fordoo Holdings Limited	2399.HK	2 years
9 June 2022	China Health Group Limited	673.HK	2 years
10 June 2022	Anchorstone Holdings Limited	1592.HK	12 months
21 June 2022	China Zenith Chemical Group Limited	362.HK	1 year
21 June 2022	Grand Ocean Advanced Resources Company Limited	65.HK	1 year
5 July 2022	Yeahka Limited	9923.HK	5 years
8 July 2022	Jiayuan International Group Limited	2768.HK	364 days
27 July 2022	Virtual Mind Holdings Company Limited	1520.HK	2 years
28 July 2022	Luye Pharma Group Ltd.	2186.HK	360 days
1 August 2022	China Baoli Technologies Holdings Limited	164.HK	3 years
1 August 2022	Vobile Group Limited	3738.HK	3 years
2 September 2022	Luye Pharma Group Ltd.	2186.HK	No more than 10 months

It is noted that (i) the maturity of one of the precedents was less than one year; (ii) the maturity of five of the precedents was approximately one year; (iii) the maturity of three of the precedents was two years; and (iv) the maturity of three of the precedents was over two years. Taking into account the aforesaid and the maturity of the Existing Bond was also 18 months, the Directors consider that the maturity of the New Convertible Bond is fair and reasonable.

Interest rate

The interest rate of the New Convertible Bond was arrived after arm's length negotiation between the Company and the Subscriber after taking into account the interest rate of the Existing Bond, the interest rate of the borrowings of the Group, the impact of the latest market condition of the property development industry in the PRC and the performance of the bond market.

LETTER FROM THE BOARD

Taking into account that (i) the full settlement of the outstanding principal amount of the Existing Bond will not exert immediate cash outflow burden on the Group; (ii) the New Convertible Bond bears the interest rate of 6% per annum which is still below the range of interest rates of both secured and unsecured borrowings of the Group; and (iii) the existing cash level of the Group, the Directors consider that the interest rate of the New Convertible Bond is fair and reasonable.

Conversion Price

The initial Conversion Price, being HK\$0.38 per Share, represents:

- (i) a premium of approximately 61.7% over the closing price of HK\$0.235 per Share (based on the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 15.2% over the closing price of HK\$0.33 per Share (based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day);
- (iii) a premium of approximately 15.2% over the average closing price of HK\$0.33 per Share (based on the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day);
- (iv) a premium of approximately 15.2% to the average closing price of HK\$0.33 per Share (based on the average closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day); and
- (v) a discount of approximately 86.2% to the net assets attributable to owners of the Company of approximately HK\$2.76 per Share as at 30 June 2022 (calculated by dividing the net assets attributable to owners of the Company as at 30 June 2022 by the number of Shares in issued as at 30 June 2022).

The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares, the recent operational and financial performance of the Group, the latest development of the property development industry in the PRC and the performance of the bond market.

LETTER FROM THE BOARD

Nevertheless, the net assets per Share has not been taken into account in determining the initial Conversion Price given: (i) the Shares had been consistently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past two years immediately preceding the date of the Subscription Agreement; (ii) it is not uncommon for the shares of property development companies to trade at a considerable discount to their respective net assets value per share (for illustration purpose only, according to Bloomberg, 16 out of 38 property development companies with focus in the PRC market and similar revenue scale of the Group had a price-to-book ratio of less than 0.2 as at the Latest Practicable Date); (iii) significant portion of assets of the Group as at 31 December 2021 and 30 June 2022 were investment properties which was illiquid in nature; and (iv) as stated in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) the property market in the PRC was going downtrend and the confidence of the market was damaged due to the debt problems on some individual market leaders of this market.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in investment holdings, property development, property investment and general trading.

As stated in the 2021 Annual Report, during the year of 2021, the global economy was continuously affected due to the outbreak of COVID-19 causing the lowering of the investment desire and the intention to consume in the community as a whole. Apart from that, the property market in the PRC was going downtrend and the confidence of the market was damaged due to the debt problems on some individual market leaders of this market.

According to the 2021 Annual Report, the Group recorded revenue of approximately HK\$543.3 million for the year ended 31 December 2021 (as compared to approximately HK\$1,141.2 million for the year ended 31 December 2020) and net loss of approximately HK\$377.9 million (as compared to net profit of approximately HK\$91.5 million for the year ended 31 December 2020). As stated in the 2021 Annual Report, the downturn was mainly due to reduction in revenue caused by decrease in trading volume of properties in Shenzhen, the PRC, increase in fair value loss on investment properties and impairment loss on properties for sale under development in the PRC.

Furthermore, according to the interim results announcement of the Group for the six months ended 30 June 2022 (the “**2022 Interim Results Announcement**”), the Group recorded revenue of approximately HK\$176.6 million for the six months ended 30 June 2022 (as compared to approximately HK\$255.1 million for the six months ended 30 June 2021) and net loss of approximately HK\$477.2 million (as compared to net profit of approximately HK\$22.0 million for the six months ended 30 June 2021). During the six months ended 30 June 2022, the Group has recorded fair value loss on investment properties of approximately HK\$453.8 million.

LETTER FROM THE BOARD

In the meantime, the gearing ratio of the Group (which was defined to be total interest-bearing borrowings over shareholders' equity) has increased from approximately 55% as at 31 December 2020 to approximately 65% as at 31 December 2021, and further increased to approximately 97% as stated in the 2021 Annual Report and 2022 Interim Results Announcement.

On the other hand, as stated in the 2021 Annual Report, most of the residential part of Group's Project in Shenzhen ("**Shenzhen Project**") has been sold out. The serviced apartments have been started to be put for sale and the shopping centre and offices have been placed in offer and the reaction of the market is positive. As at 31 August 2022, approximately 93%, 6% and 30% of the gross floor area ("**GFA**") of the residential, office and serviced apartment, respectively, of the Shenzhen Project had been sold, and approximately 77% of the GFA of the shopping mall of the Shenzhen Project were leased. Notwithstanding the aforesaid, based on the development and selling progress of the project, the expected tax and construction fees to be paid and loan repayment, it is currently expected that no significant net cash inflow would be generated from the Shenzhen Project in the coming twelve months.

Nevertheless, the Directors have also taken into account the expected cashflow of the Group as a whole. It is currently expected that, in the absence of further significant lock-downs or other restrictions that may adversely affect the financial performance and/or position of the Group, in the coming twelve months, the cash outflows of the Group (which mainly included loan and interest repayment, construction fees, tax, prepayments in relation to our trading activities, property management fee, operating costs) would be approximately HK\$700 million to HK\$800 million. In the meantime, the expected cash inflow of the Group, mainly representing the proceeds from the sales of properties, rental income, trading income, and bank borrowings, would amount to approximately HK\$700 million to HK\$800 million.

Having considered, among other things, the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares, the recent market sentiment and recent development of the PRC property development industry, it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required. The Company has enquired certain brokerage houses for possible fund-raising exercises to finance the repayment of the Existing Bond while no favourable response had been received. The Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Bond. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Bond principally through the entering into the Subscription Agreement.

LETTER FROM THE BOARD

The outstanding principal amount of the Existing Bond on the Completion Date will be principally settled through the issuance of the New Convertible Bond on the Completion Date. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bond.

Although the Subscription of the New Convertible Bond will bring finance costs to the Group and the conversion of the New Convertible Bond will result in dilution of the existing shareholding of the Company, after taking into account that: (i) the full settlement of the outstanding principal amount of the Existing Bond will not exert immediate cash outflow burden on the Group; (ii) the New Convertible Bond bears the interest rate of 6% per annum which is still below the range of interest rates of (a) the secured borrowings of the Group which ranged from approximately 6.35% to 8.5% per annum as at 31 August 2022 and (b) the unsecured borrowings of the Group (other than the Existing Bond) which ranged from approximately 9.0% to 12.0% per annum as at 31 August 2022; (iii) the Subscription will secure the continuing financial support from the Subscriber to the Group's business development and operation; (iv) upon conversion of the New Convertible Bond, the financial position of the Group would be improved and (v) the cash position of the Group only amounted to approximately HK\$18.0 million as at the Latest Practicable Date, the executive Directors consider that the issue of the New Convertible Bond is an appropriate debt repayment plan for the Company.

In view of the above, the Board (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" below and excluding Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder) considers that the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement are in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

LETTER FROM THE BOARD

The table below illustrates the shareholding structures of the Company as at the Latest Practicable Date and full conversion of (i) the minimum principal amount of the New Convertible Bond of HK\$95,500,000 and (ii) the maximum principal amount of the New Convertible Bond of HK\$96,500,000 at the initial Conversion Price only (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below):

	As at the Latest Practicable Date		Assuming full conversion of the minimum principal amount of the New Convertible Bond (being HK\$95,500,000)		Assuming full conversion of the maximum principal amount of the New Convertible Bond (being HK\$96,500,000)	
			Number of Shares	Approximate %	Number of Shares	Approximate %
Rhenfield (Note 1)	70,366,823	28.73	70,366,823	14.18	70,366,823	14.10
Ms. Tsang (Note 2)	474,530	0.19	251,790,319	50.74	254,421,898	51.00
Mr. Tsang (Note 2)	76,950	0.03	76,950	0.01	76,950	0.01
Ms. Kwok Wai Man Nancy (Note 2)	1,343,550	0.55	1,343,550	0.27	1,343,550	0.27
Sub-total	72,261,853	29.50	323,577,642	65.20	326,209,221	65.38
Directors:						
Mr. Kwok Siu Bun	150,000	0.06	150,000	0.03	150,000	0.03
Ms. Chow Kwai Wa Charmaine	195,000	0.08	195,000	0.04	195,000	0.04
Ms. Kwok Siu Wa Alison	300,000	0.12	300,000	0.06	300,000	0.06
Public Shareholders	172,048,560	70.24	172,048,560	34.67	172,048,560	34.49
Total	244,955,413	100.00	496,271,202	100.00	498,902,781	100.00

Notes:

- Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who are deemed to be interested in 70,366,823 Shares as at the Latest Practicable Date 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.
- Pursuant to the terms of the New Convertible Bond, the Subscriber has agreed and undertaken to the Company that it shall not exercise any of the Conversion Rights unless the relevant applicable requirements under the Takeovers Code had been or will be duly complied with or the Company will be unable to meet the public float requirements under the Listing Rules. Accordingly, such scenario above is shown for illustrative purpose only.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the 12 months prior to the date of the Announcement and up to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber and her close associates in aggregate holds 70,841,353 Shares, representing approximately 28.9% of the total number of existing issued Shares. The Subscriber is therefore a connected person of the Company and the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Subscriber, being a Shareholder with material interest in the Subscription, and her close associates will abstain from voting on the proposed resolution to approve the Subscription at the SGM.

The Conversion Shares to be allotted and issued pursuant to the New Convertible Bond are proposed to be issued pursuant to a specific mandate to be granted by the Independent Shareholders by way of poll at the SGM.

An application has been made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. Upon completion of the Subscription Agreement, an announcement regarding the principal amount of the New Convertible Bond and the number of Conversion Shares (based on the initial Conversion Price) issuable thereunder will be made by the Company.

SGM

Set out on pages SGM-1 to SGM-3 is a notice convening the SGM to be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Wednesday, 26 October 2022 at 10:30 a.m. at which resolutions will be proposed to consider and, if thought fit, to approve the Subscription Agreement and the respective transactions contemplated thereunder.

Only Shareholders whose names appear on the register of members of the Company on the Record Date are entitled to attend and vote at the SGM. In order to qualify for the entitlement to attend and vote at the SGM, unregistered holders of Shares will ensure that all transfer documents and relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 October 2022.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. 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 if you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the resolutions to be proposed at the SGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the SGM in manner prescribed under Rule 13.39(5) of the Listing Rules.

As completion of the Subscription Agreement is conditional upon satisfaction of the respective conditions set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 22 to 23 of this circular and the letter from the Independent Financial Adviser on pages 24 to 53 of this circular which contain their advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors, including the independent non-executive Directors, consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board of
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription which has been prepared for the purpose of inclusion in this circular.



鈞濠集團

鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

10 October 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND

We refer to the circular of the Company dated 10 October 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Subscription Agreement and the transactions contemplated thereunder. Red Sun Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 24 to 53 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder and taking into account the independent advice of Red Sun Capital, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the entering into of the Subscription Agreement by the Company and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Hui Pui Wai Kimber Mr. Liu Chaodong Mr. Tsui Matthew Mo Kan

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 regarding the Connected Transaction for the purpose of inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

10 October 2022

*To: The Independent Board Committee and the Independent Shareholders of
Grand Field Group Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND

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 (together with the transactions contemplated therein, including the issue of the New Convertible Bond under specific mandate), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 10 October 2022 (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.

Reference is made to the announcement of the Company dated 12 August 2022 in relation to, among other things, the Standstill Agreement and the Offset Agreement, and the Announcement in relation to, among other things, the Subscription.

On 21 February 2021, the Existing Bond was issued to the Subscriber at a principal amount of HK\$99,757,011 with an interest rate of 5% per annum and a maturity date of 18 month from the date of issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 September 2022 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the New Convertible Bond with a principal amount of up to HK\$96.5 million (but no less than HK\$95.5 million) at the subscription price which will be fully used for the settlement the outstanding principal amount of the Existing Bond as at the Completion Date and the interest attributable to the Existing Bond. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bond.

On 12 August 2022, the Company had entered into the Standstill Agreement with the Subscriber, pursuant to which the time of repayment of all amounts outstanding of the Existing Bond as at 22 August 2022 under the 5% convertible bonds issued to the Subscriber by the Company on 21 February 2021 be extended to 30 November 2022 with interest rate unchanged. All the outstanding principal amounts of the Existing Bond and the interest accrued under the Standstill Agreement will be settled through the issue of the New Convertible Bond on Completion Date, on a dollar-for-dollar basis.

On 12 August 2022 (after trading hours), the Company had also entered into the Offset Agreement with the Bondholder pursuant to which the outstanding principal amount of the Existing Bond on 22 August 2022 shall be offset by the net amount receivable from the Bondholder, excluding the provision amount(s), as at 31 July 2022 (which amounted to approximately HK\$7,272,114.85) under the deed of indemnity dated 28 April 2017 entered into by and between the Bondholder and Surplus Full Development Limited, a wholly owned subsidiary of the Company. Accordingly, taking into account the Offset Agreement, the outstanding principal amount of the Existing Bond as at 22 August 2022 will be approximately HK\$94,985,654.09, calculated based on (i) the original principal amount of the Existing Bond of HK\$99,757,011.00; (ii) the outstanding interest of the Existing Bond to be due on 22 August 2022 of approximately HK\$2,500,757.94; and (iii) the offset amount as stated above.

As the result of the Standstill Agreement and the Offset Agreement, the outstanding principal amount of the Existing Bond is HK\$94,985,654.09 as at 22 August 2022.

Completion of the Subscription Agreement shall take place on the Completion Date (or such other date as may be agreed between the respective parties) and the completion of Subscription Agreement is subject to the fulfilment and satisfactory completion of the conditions precedent to the Subscription, details of which please refer to the section headed “The subscription – conditions precedent” set out in the Letter from the Board. It is currently expected that the Completion Date shall fall on or around 31 October 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Conversion Price is HK\$0.38 per Share and the New Convertible Bond will carry an interest of 6.0% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In case of delay in paying the principal or interest, the default interest rate will be 10.0% per annum. The New Convertible Bond will mature at the end of the 18 months from the date of issue.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan, has been formed to advise the Independent Shareholders in relation to the Subscription. 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 (i) whether or not the Subscription is on normal commercial terms and fair and reasonable and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote on the proposed resolutions in respect thereof at the SGM.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber and her close associate in aggregate holds 70,841,353 Shares, representing approximately 28.9% of the total number of existing issued Shares. Accordingly, the Subscriber is a substantial Shareholder and a connected person of the Company under the Listing Rules. The Subscription therefore constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the Subscriber, being a Shareholder with material interest in the Subscription, and her close associates will abstain from voting on the proposed resolution to approve the Subscription at the SGM.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Conversion Shares to be allotted and issued pursuant to the New Convertible Bond are proposed to be issued pursuant to a specific mandate to be granted by the Independent Shareholders by way of poll at the SGM.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. Upon completion of the Subscription Agreement, an announcement regarding the principal amount of the New Convertible Bond and the number of Conversion Shares (based on the initial Conversion Price) issuable thereunder will be made by the Company.

BASIS OF OUR OPINION AND RECOMMENDATION

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, which included, among others (i) obtained the Subscription Agreement, the Standstill Agreement and the Offset Agreement and reviewed the terms thereunder; (ii) the Announcement; (iii) reviewed the contents as set out in the Circular, including the reasons for the Subscription and use of proceeds; (iv) reviewed the information as set out in the 2021 Annual Report and the 2022 Interim Report (defined hereafter) for our analysis on the background and historical financial performance of the Group; (v) conducted market research on the share price performance against the Conversion Price from 6 September 2021 up to and including the Latest Practicable Date (the “**Review Period**”) and the trading liquidity of the Shares, respectively; (vi) obtained sampled transactions for the purpose of our fairness and reasonableness analysis of the terms of the New Convertible Bond; and (vii) conducted our analysis on the Conversion Price, the interest rate and the maturity period of the New Convertible Bond.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 are independent from and not connected with the Company nor any other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the proposed issue of the New Convertible Bond under specific mandate and transactions contemplated under it.

Save for our appointment as the independent financial adviser for the connected transaction in relation to the subscription of new convertible bond, the circular of which was dated 14 December 2020, there was no engagement between the Company and Red Sun Capital Limited in the last two years.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION AGREEMENT

In arriving at our opinion in respect of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Principal business and financial information of the Group

Background information of the Group

The Group is principally engaged in investment holdings, property development, property investment and general trading. Set out below are the key financial information of the Group for the year ended 31 December 2020 and 2021 as extracted and summarised from the published annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”):

Table 1: Consolidated financial result of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2021 HK\$'000 (audited)
Segment revenue				
Property development	61,496	240,649	1,137,544	505,845
Property investment	10,628	2,537	3,701	14,658
General trading	104,439	11,805	–	22,646
Others	–	100	–	131
Total	<u>176,563</u>	<u>255,091</u>	<u>1,141,245</u>	<u>543,280</u>
Segment result				
Property development	(38,377)	108,582	483,309	(22,714)
Property investment	(496,816)	2,412	(124,280)	(254,377)
Hotel operation	(927)	–	–	(155)
General trading	962	574	–	32
Others	(1)	(96)	–	(118)
Total	<u>(535,159)</u>	<u>111,472</u>	<u>359,029</u>	<u>(277,332)</u>
(Loss)/profit before tax	(588,763)	62,688	272,933	(416,381)
(Loss)/profit for the year/ period	<u>(477,216)</u>	<u>22,026</u>	<u>91,481</u>	<u>(377,947)</u>
Attributable to:				
Owners of the Company	<u>(317,413)</u>	<u>7,056</u>	<u>34,682</u>	<u>(224,271)</u>
Non-controlling interests	<u>(159,803)</u>	<u>14,970</u>	<u>56,799</u>	<u>(153,676)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for the six months ended 30 June 2021 (the “6M2021”) and the six months ended 30 June 2022 (the “6M2022”)

As set out in the 2022 Interim Report, the revenue decreased from approximately HK\$255.1 million for the 6M2021 to approximately HK\$176.6 million for the 6M2022, representing a decrease of approximately HK\$78.5 million or 30.8%. The Group’s revenue was mainly generated from the general trading business and sale of commercials apartments and offices of Shenzhen Zongke Real Estate Co., Ltd, a subsidiary of the Company.

During the 6M2022, the Group recorded a loss attributable to owners of the Company for the period of approximately HK\$317.4 million (6M2021: profit attributable to owners of the Company of approximately HK\$7.1 million). The downturn of the 6M 2022 was mainly attributable to the fair value loss on investment properties, and provision for compensation of a legal case.

Financial performance for the year ended 31 December 2020 (the “FY2020”) and the year ended 31 December 2021 (the “FY2021”)

As set out in the 2021 Annual Report, the revenue of the Group decreased from approximately HK\$1,141.2 million for the FY2020 to approximately HK\$543.3 million for the FY2021, representing a decrease of approximately HK\$597.9 million or 52.4%.

During the FY2021, the Group recorded a loss of approximately HK\$377.9 million (FY2020: profit of approximately HK\$91.5 million). The downturn was mainly due to reduction in revenue caused by decrease in trading volume of properties in Shenzhen, the PRC, increase in fair value loss on investment properties and impairment loss on properties for sale under development in the PRC. Due to the aforesaid reason, the group recorded a loss attributable to owners of the Company of approximately HK\$224.3 million for the FY2021 (FY2020: profit attributable to owners of the Company of approximately HK\$34.7 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 2: Consolidated financial position of the Group

	As at 31 December 2021	As at 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	2,678,983	2,019,172
Current assets	1,071,145	1,088,469
Total assets	3,750,128	3,107,641
Non-current liabilities	(866,188)	(863,340)
Current liabilities	(887,895)	(807,743)
Total liabilities	(1,754,083)	(1,671,083)
Net assets	1,996,045	1,436,558

As at 30 June 2022, the Group had total assets of approximately HK\$3,107.6 million and total liabilities of approximately HK\$1,671.1 million.

Among the Group's current assets of approximately HK\$1,088.5 million as at 30 June 2022, which mainly included (i) approximately HK\$682.5 million was properties for sale under development; (ii) approximately HK\$291.7 million was properties for sale; (iii) approximately HK\$49.6 million was other receivables, deposits and prepayments; (iv) approximately HK\$59.3 million was cash and cash equivalents; and (v) approximately HK\$4.2 million was trade receivables.

(2) Reasons for and benefits of the Subscription and use of proceeds

(a) Group overview

As stated in the 2021 Annual Report, during the FY2021, the global economy was continuously affected due to the outbreak of COVID-19 causing the lowering of the investment desire and the intention to consume in the community as a whole. Apart from that, the property market in the PRC was going downtrend and the confidence of the market was damaged due to the debt problems on some individual market leaders of this market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2021 Annual Report, the Group recorded revenue of approximately HK\$543.3 million for the FY2021 (as compared to approximately HK\$1,141.2 million for the FY2020) and net loss of approximately HK\$377.9 million (as compared to net profit of approximately HK\$91.5 million for the FY2020). As stated in the 2021 Annual Report, the downturn was mainly due to reduction in revenue caused by decrease in trading volume of properties in Shenzhen, the PRC, increase in fair value loss on investment properties and impairment loss on properties for sale under development in the PRC.

Furthermore, according to the 2022 Interim Report, the Group recorded revenue of approximately HK\$176.6 million for the 6M2022 (as compared to approximately HK\$255.1 million for the 6M2021) and net loss of approximately HK\$477.2 million (as compared to net profit of approximately HK\$22.0 million for the 6M2021). During the 6M2022, the Group has recorded fair value loss on investment properties of approximately HK\$453.8 million.

On the other hand, as stated in the 2021 Annual Report, most of the residential part of Group's Project in Shenzhen ("**Shenzhen Project**") has been sold out. The serviced apartments have been started to be put for sale and the shopping centre and officed have been placed in offer and the reaction of the market is positive. As at 31 August 2022, approximately 93%, 6% and 30% of the gross floor area ("**GFA**") of the residential, office and serviced apartment, respectively, of the Shenzhen Project had been sold, and approximately 77% of the GFA of the shopping mall of the Shenzhen Project were leased. Notwithstanding the aforesaid, based on the development and selling progress of the project, the expected tax and construction fees to be paid and loan repayment, it is currently expected that no significant net cash inflow would be generated from the Shenzhen Project in the coming twelve months.

Nevertheless, the Directors have also taken into account the expected cashflow of the Group as a whole. It is currently expected that, in the absence of further significant lock-downs or other restrictions that may adversely affect the financial performance and/or position of the Group, in the coming twelve months, the cash outflows of the Group (which mainly included loan and interest repayment, construction fees, tax, prepayments in relation to our trading activities, property management fee, operating costs) would be approximately HK\$700 million to HK\$800 million. In the meantime, the expected cash inflow of the Group, mainly representing the proceeds from the sales of properties, rental income, trading income, and bank borrowings, would be amounted to approximately HK\$700 million to HK\$800 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the Group's loss for the FY2021 amounted at approximately HK\$377.9 million and the loss for the 6M2022 amounted at approximately HK\$477.2 million, the cash position of the Group amounted to approximately HK\$18.0 million as at the Latest Practicable Date which was not sufficient for settlement of the outstanding principal amount of the Existing Bond and the Existing Bond which shall become due imminently, the Directors are of the view and we concur that the Group has an imminent need to strengthen the financial position of the Group to prepare for its future development.

The Company has enquired certain brokerage houses for possible fund-raising exercises to finance the repayment of the Existing Bond while no favourable response had been received. The Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Bond. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Bond principally through the entering into the Subscription Agreement. The outstanding principal amount of the Existing Bond on the Completion Date will be principally settled through the issuance of the New Convertible Bond on the Completion Date. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bond.

Although the subscription of the New Convertible Bond, will bring finance costs to the Group and the conversion of the New Convertible Bond will result in dilution of the existing shareholding of the Company, after taking into account that: (i) the full settlement of the outstanding principal amount of the Existing Bond will not exert immediate cash outflow burden on the Group and the cash position as at the Latest Practicable Date amounted to approximately HK\$18.0 million which was no sufficient for the full settlement of the outstanding principal amount of the Existing Bond; (ii) the New Convertible Bond bears the interest rate of 6% per annum which is still below the range of interest rates of (a) the secured borrowings of the Group which ranged from approximately 6.35% to 8.5% per annum as at 31 August 2022 and (b) the unsecured borrowings of the Group (other than the Existing Bond) which ranged from approximately 9.0% to 12.0% per annum as at 31 August 2022; (iii) the Subscription will secure the continuing financial support from the Subscriber to the Group's business development and operation; and (iv) upon conversion of the New Convertible Bond, the financial position of the Group would be improved, the executive Directors consider and we concur that the issue of the New Convertible Bond is an appropriate debt repayment plan for the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, the Board (excluding the independent non-executive Directors whose views will be included in the Circular and excluding Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder) considers and we concur that the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement are in the interests of the Group and the Shareholders as a whole.

(b) *Financial alternatives*

Having considered the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares, the recent market sentiment and recent development of the PRC property development industry, the Directors are of the view that it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required. With respect to bank borrowings, the Company has explored opportunities to seek for potential banking facility or bank loans from two banks. The Company had also explored the possibility with two securities brokerage firms of placement, rights issue and open offer as alternative. However, up to the Latest Practicable Date, the Company have not received any positive response.

As regards equity fund raising exercises (such as rights issue and open offer), it's considered that the possibilities of raising a sizable amount of fund is relative low given that the share price of the Company was trading at a consistent low price with the Prevailing 30 Days Average Price (defined thereafter) at approximately HK\$0.33 per Shares between 25 July 2022 to 2 September 2022 and securities brokerage firms are unlikely to accept a hard underwriting on the Shares of the Company taking into account the unsatisfactory financial performance of the Group with loss making during the FY2021 and the 6M2022 and the poor financial market sentiment in the 6M2022. Therefore, we concur with the Directors that it may not be favourable to the Company to conduct a fund-raising exercise of substantial amount by way of issuing new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As regards bank borrowings exercises, the ability for a company to obtain bank borrowings with favourable terms generally and largely depends on the company's profitability, financial position and the then prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with bank and usually requires pledge of assets by the borrower. Taking into account that (i) the Group recorded the loss for the year/period of approximately HK\$377.9 million and HK\$477.2 million for the FY2021 and the 6M2022, respectively; (ii) the range of interest rates of the secured and unsecured borrowings of the Group (other than the Existing Bond) which ranged from approximately 6.35% to 12.0% per annum as at 31 August 2022, the Directors are of the view and we concur that it is unlikely for the Group to obtain additional mid-term or long-term bank loans of meaningful loan size (i.e. approximately HK\$96.5 million) timely with favourable terms due to the reasons as discussed above and the New Convertible Bond bears the interest rate of 6% per annum which is still below the range of interest rates of the secured and unsecured borrowings of the Group (other than the Existing Bond) as at 31 August 2022 which is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(3) Financial Raising Activities of the Company during the past 12 months

The Company has not conducted any fund-raising activities in the 12 months prior to the date of the announcement.

(4) Principal terms of the Subscription Agreement

Key terms of the Subscription Agreement and background of the Subscriber

On 5 September 2022 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the New Convertible Bond with a principal amount of up to HK\$96.5 million. The outstanding principal amount of the Existing Bond and interest attributable to the Existing Bond accrued during the Standstill Period will be settled through the issue of the New Convertible Bond on the Completion Date, on a dollar-for-dollar basis.

Please refer to the Letter from the Board in relation to other principal terms of the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The initial conversion price of the New Convertible Bond is HK\$0.38 per Share, subject to adjustments as provided in the New Convertible Bond instrument in each of cases stated in the Letter from the Board, and the New Convertible Bond will carry an interest of 6% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In the event of the delay payment in the principal or interest, the default interest rate will be 10% per annum. The New Convertible Bond will mature at the end of the 18 months from the issue date of the New Convertible Bond. Further details of the Subscription Agreement are set out in the Letter from the Board.

The holder(s) of the New Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) 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 holder(s) of the New Convertible Bond 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. Investors shall note that the conversion of the New Convertible Bond is subject to the conversion restrictions under the New Convertible Bond as set out above.

Assuming full conversion of the maximum principal amount of the New Convertible Bond of HK\$96.5 million at the initial Conversion Price, a total of maximum 253,947,368 Shares with aggregate nominal value of HK\$0.01 will be issued, representing approximately 103.7% of the total number of existing issued Shares and approximately 50.9% of the total number of existing issued Shares as enlarged by the issue of the Conversion Shares.

Maturity

The maturity of the New Convertible Bond was arrived after arm's length negotiation between the Company and the Subscriber after taking into account the maturity of the Existing Bond, the impact of the latest market condition of the property development industry in the PRC, the performance of the bond market and the cash levels of the Group as at 31 December 2021 and 30 June 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have reviewed 12 precedents (the “**Precedent(s)**”) of issuing convertible debt securities (except for issuance for acquisitions) announced within three months prior to the date of the Subscription Agreement, details of which please refer to the section headed “Principal terms of the new convertible bond – Maturity” in the Letter from the Board. These companies are listed on the Main Board of the Stock Exchange, but may or may not engage in businesses which are comparable to the Group, while the Directors consider that these precedents are relevant to the Subscription as they involved the issue of convertible debt securities. Having considered that this analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Precedents under similar type of transactions, we consider that the Precedents analysis on the terms of the Convertible Bonds without limiting to companies that are with similar size, principle principal business, scale of the market capitalization, profitability and financial positions as that of the Group is fair and reasonable and useful for Independent Shareholders’ reference. It is noted that (i) one Precedent with maturity less than one year; (ii) five Precedents with maturity of approximately one year; (iii) three Precedents with maturity of two years; and (iv) three Precedents with maturity over two years. Taking into account of the aforesaid and the maturity of the Existing Bond was also 18 months, the Directors consider and we concur that the maturity of the New Convertible Bond is fair and reasonable.

Interest rate

The interest rate of the New Convertible Bond was arrived after arm’s length negotiation between the Company and the Subscriber after taking into account the interest rate of the Existing Bond, the interest rate of the borrowings of the Group, the impact of the latest market condition of the property development industry in the PRC and the performance of the bond market.

Taking into account that (i) the full settlement of the outstanding principal amount of the Existing Bond will not exert immediate cash outflow burden on the Group; (ii) the New Convertible Bond bears the interest rate of 6% per annum which is still below the range of interest rates of the both secured and unsecured borrowings of the Group (other than the Existing Bond) as at 31 August 2022; and (iii) the existing cash level of the Group, the Directors consider that the interest rate of the New Convertible Bond is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(5) Evaluation of the Conversion Price

The initial Conversion Price, being HK\$0.38 per Share. As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares, the recent operational and financial performance of the Group, the latest development of the property development industry in the PRC and the performance of the bond market. In considering the fairness and reasonableness of the Conversion Price, we have conducted the following analyses:

We note that the initial Conversion Price of HK\$0.38 per Share represents:

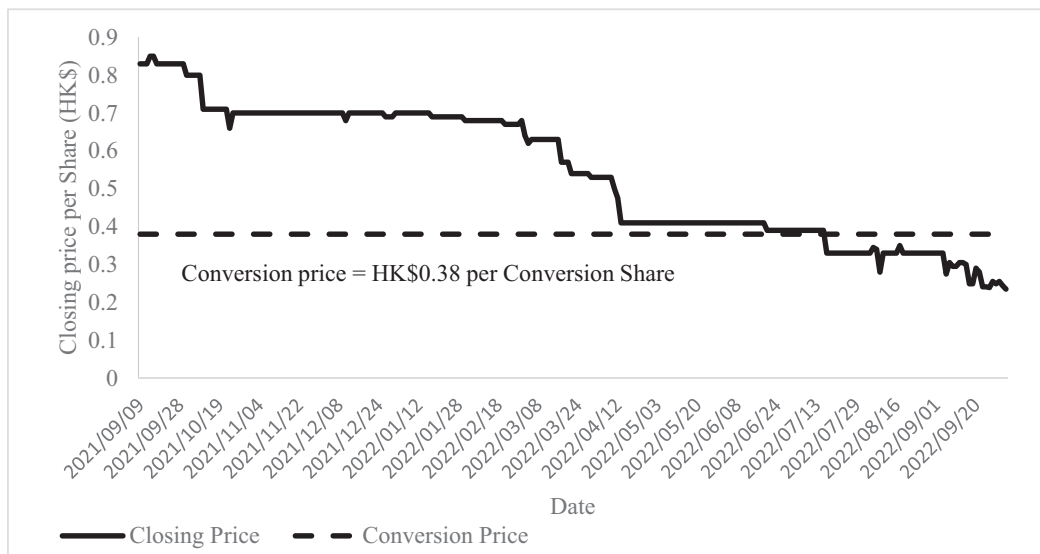
- (i) a premium of approximately 61.7% over the closing price of HK\$0.235 per Share (based on the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date);
- (ii) a premium of approximately 15.2% over the closing price of approximately HK\$0.33 per Share (based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day);
- (iii) a premium of approximately 15.2% over the average closing price of approximately HK\$0.33 per Share (based on the average closing as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day);
- (iv) a premium of approximately 15.2% to the average closing price of approximately HK\$0.33 per Share (based on the average closing price as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day); and
- (v) a discount of approximately 86.2% to the net assets attributable to owners of the Company of approximately HK\$2.76 per Share on the basis of the net assets attributable to owners of the Company of approximately HK\$675,963,000 as at 30 June 2022 and 244,955,413 Shares in issue as at the Latest Practicable Date.

In order to further assess the fairness and reasonableness of terms of the New Convertible Bonds, we have performed review on (i) the daily closing price of the ordinary Shares as quoted on the Stock Exchange during the Review Period, being a period of twelve months prior to the date of the Subscription Agreement up to and including the Latest Practicable Date; (ii) the trading volume of the ordinary Shares during the Review Period; and (iii) the comparison on the issuance of convertible bonds by companies listed on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Share price performance against the Conversion Price during 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)

Start with the beginning of the Review Period, the closing price remain relatively stable and gradually went up to the Highest Closing Price from 14 September 2021 to and 15 September 2021. After staying around the Highest Closing Price, the Closing Price then displayed a downward trend until the reach of the Lowest Closing Price of HK\$0.235 on 3 October 2022.

During the Review Period, the closing prices of the Shares ranged from HK\$0.235 per Share (the “**Lowest Closing Price**”) to HK\$0.85 per Share (the “**Highest Closing Price**”). The initial Conversion Price of HK\$0.38 per Share therefore falls within the highest and lowest closing prices of the Shares, and represents a discount of 55.3% and a premium of 61.7% to the highest and lowest closing price of the Shares, respectively, during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the initial Conversion Price of HK\$0.38 per Share represents a premium of approximately 15.2% over the average closing price of approximately HK\$0.33 per Share as quoted on the Stock Exchange on the last trading day immediately preceding the date of Subscription Agreement. Besides, we noted that the initial Conversion Price of HK\$0.38 per Share represents (i) a premium of approximately 15.2% over the average closing price of approximately HK\$0.33 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of signing of the Subscription Agreement; (ii) a premium of approximately 15.2% over the average closing price of approximately HK\$0.33 per Share as quoted on the Stock Exchange for the ten trading days immediately preceding the date of signing of the Subscription Agreement; and (iii) a premium of approximately 8.6% over the average closing price of approximately HK\$0.35 per Share as quoted on the Stock Exchange for the 30 trading days immediately preceding the date of the Subscription Agreement.

According to the 2022 Interim Report, the net asset value attributed to the equity holders of the Company amounted to approximately HK\$675,963,000 as at 30 June 2022 and net asset value per Share attributed to the equity holders of the Company amounted to approximately HK\$2.76 per Shares (based on 244,955,413 Shares in issue as at the Latest Practicable Date) (the “NAV per Share”). It was noted that the Conversion Price represented a discount of approximately 86.2% over the NAV per Share.

The Directors noted that the Conversion Price represents a discount of approximately 86.2% to the NAV per Share. While it was also noted that (i) the Shares had been consistently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past two years immediately preceding the date of the Subscription Agreement calculated based on the consolidated net assets attributable to owners of the Company as at 31 December 2020, 31 December 2021 and 30 June 2022 and the weighted average number of Shares in issue in the respective periods (ranging from a minimum discount of approximately 74.6% to a maximum discount of approximately 85.9%); (ii) it is not uncommon for the shares of property development companies to trade at a considerable discount to their respective net assets value per share (for illustration purpose only, according to Bloomberg, 16 out of 38 property development companies with focus in the PRC market and similar revenue scale of the Group had a price-to-book ratio of less than 0.2 as at the Latest Practicable Date); (iii) over 85% of the total assets of the Group as at 30 June 2022 were investment properties which was illiquid in nature and (iv) as stated in the 2021 Annual Report the property market in the PRC was going downtrend and the confidence of the market was damaged due to the debt problems on some individual market leaders of this market. Therefore, both the Subscriber and the Company considered that the prevailing market price of the Shares would be a more appropriate reference, instead of the NAV per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Conversion Price was determined with reference to the prevailing market prices of the Shares after and at arm's length negotiations between the Company and the Subscriber 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 Subscriber to subscribe for the New Convertible Bond and convert the New Convertible Bond 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. On the contrary, the Conversion Price determined with reference to the prevailing market prices of the Shares instead of net asset value which would encourage the Subscriber to exercise the conversion rights attaching to the New Convertible Bond upon maturity of the New Convertible Bond and the Company would have no cash pressure on loan repayment to the Subscriber and the gearing position of the Company would be improved through the reduction of interest-bearing liabilities. Therefore, the Directors are of the view and we concur that the Conversion Price determined with reference to the prevailing market prices of the Shares instead of net asset value is fair and reasonable and in the interests of the Company and the Shareholders.

(i) *Trading liquidity of Shares*

We have reviewed the trading volume data in respect of the Shares during the Review Period as illustrated in the table below. Set out in the table below is a summary of the monthly/period trading volume of the Shares and the percentages of such monthly/period trading volume to the issued Shares during the Review Period:

	Total trading volume of the Shares	Number of trading days in the month	Average daily trading volume of the Shares	Average daily trading volume as a percentage of the then total number of Shares issued
	<i>Number of Shares</i>	<i>Days</i>	<i>Number of Shares</i>	<i>Approximately percentage</i>
2021				
September (Starting from 6 September 2021)	90,200	18	5,011	0.0020%
October	1,497,700	18	83,206	0.0340%
November	37,000	22	1,682	0.0007%
December	26,150	22	1,189	0.0005%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	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>
2022				
January	98,124	21	4,673	0.0019%
February	22,000	17	1,294	0.0005%
March	217,020	23	9,436	0.0039%
April	31,248	18	1,736	0.0007%
May	–	20	–	0.0000%
June	15,600	21	743	0.0003%
July	16,614	20	831	0.0003%
August	434,600	23	18,896	0.0077%
September	2,165,424	21	103,115	0.0421%
October (up to and including the Latest Practicable Date)	0	1	0	0
Average for Review Period				0.0072%

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

As shown in the above table, we noted that the exceptionally higher and highest total trading volume of the Shares, average daily trading volume and average daily trading volume as a percentage of the then total number of Shares issued were 2,165,424 Shares, 103,115 Shares and 0.0421% respectively in September 2022. We also note from the above table, there was no trading record was noted in May 2022.

Based on the above results, we also observe from the above table that the trading liquidity of the Shares had been rather thin during the Review Period, where the percentage of the average daily trading volume as a percentage of the then total number of Shares issued were mainly below 0.0072%. As such, the trading volume of the Shares is low and the relatively thin trading liquidity may hinder third parties underwriter to participate when the Company try to pursue fund raising exercise by way of placement, rights issue or open offer of new Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Market comparable analysis

In order to assess the fairness and reasonableness of the terms of the New Convertible Bond, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) under specific mandate by companies listed on the Stock Exchange (excluding (i) the issuance for acquisition, and (ii) those are perpetual in term and have no maturity date, which we considered to be not comparable to the convertible bond(s) or convertible note(s) in terms of the nature as the perpetual convertible bond(s) or convertible note(s) offer a steady stream of interest indefinitely and the principal is generally not redeemable while the convertible bond(s) are redeemable at maturity date) for the period of twelve-month period prior to the date of Subscription Agreement (the “**Comparable Issues**”) through published information on the Stock Exchange’s website. We consider that the twelve-month period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Comparable Issues without any artificial selection or filtering on our part represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong. Based on such criteria, we have identified 21 Comparable Issues on an exhaustive basis.

To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the Comparable Issues is an exhaustive list of issue of convertible bond(s) and convertible note(s) meeting the aforesaid criteria. Shareholders should note that the size, principal business, scale of the market capitalization, profitability and financial positions of the different may be not the same as the Comparable Issues and we have not conducted any in-depth investigation into the size, principal business, scale of the market capitalization, profitability and financial positions of the Comparable Issues. This analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar type of transactions, we consider that our comparable analysis on the terms of the convertible bonds without limiting to companies that are with similar size, principal business, scale of the market capitalization, profitability and financial positions as that of the Group is fair and reasonable and useful for Independent Shareholders’ reference. We set out our findings in the table below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the table below:

Company name	Stock code	Date of announcement	Interest rate per annum (%)	Maturity (year)	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement (%)	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement (%)
Anchorstone Holdings Limited	1592	10 June 2022	2	1	(10.91)	(11.5)
SJM Holdings Limited	880	26 May 2022	2	5	35.7	32.6
South China Financial Holdings Limited	619	16 May 2022	0.0	6	N/A	0.92
Huazhang Technology Holding Limited	1673	13 May 2022	12	2	N/A	(2.8)
China Baoli Technologies Holdings Limited	164	21 April 2022	0.0	1	4.48	3.86
China Baoli Technologies Holdings Limited	164	21 April 2022	0.0	1	4.48	3.86
Capital Finance Holdings Limited	8239	4 April 2022	0.0	1.42 (Note 1)	61.29	60.26
Capital Finance Holdings Limited	8239	4 April 2022	0.0	2.04 (Note 2)	61.29	60.26
China Ruifeng Renewable Energy Holdings Limited	527	28 January 2022	10	3	9.09	7.14
Rare Earth Magnesium Technology Group Holdings Limited	601	18 January 2022	0.0	5	N/A	1.69
China First Capital Group Limited	1269	13 January 2022	8	1	(6)	(8.29)
Kirin Group Holdings Limited	8109	8 December 2021	2	1	10	10.11
Bingo Group Holdings Limited	8220	7 December 2021	0.0	3.75 (Note 3)	14.58	(22.32)
China Public Procurement Limited	1094	3 December 2021	5	7	(1.96)	(6.13)
Titan Invo Technology Limited	872	30 November 2021	0.0	5	(10.7)	(7.4)
Jimu Group Limited	8187	14 November 2021	6	1	(16.67)	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Stock code	Date of announcement	Interest rate per annum (%)	Maturity (year)	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement (%)	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement (%)
Wai Chun Bio-Technology Limited	660	22 October 2021	2	3	N/A	(12.3)
Wai Chun Bio-Technology Limited (Note 4)	660	22 October 2021	2	3	N/A	(12.3)
Wai Chun Group Holdings Limited	1013	21 October 2021	2	3	(11.1)	(11.1)
Wai Chun Group Holdings Limited (Note 5)	1013	15 October 2021	2	3	N/A	(39.5)
Hua Yin International Holdings Limited	989	7 September 2021	2	1.5 (Note 6)	2.63	0.52
		Maximum	12	7	61.29	60.26
		Minimum	0	1	(16.67)	(39.5)
		Average	2.59	2.84	9.75	(2.38)
		Median	2	3	4.48	(1.14)
The Company	115	5 September 2022	6	1.5	15.2	15.2

Source: The website of the Stock Exchange (www.hkex.com.hk) and adopted from the relevant announcements.

Notes:

1. The maturity date of the convertible bonds issued by Capital Finance Holdings Limited is 24 December 2023. The completion of issuing convertible bonds took place on 21 July 2022 as disclosed in the announcement dated 21 July 2022.
2. The maturity date of the convertible bonds issued by Capital Finance Holdings Limited is 5 August 2024. The completion of issuing convertible bonds took place on 21 July 2022 as disclosed in the announcement dated 21 July 2022.
3. The maturity date of the convertible bonds issued by Bingo Group Holdings Limited is 31 December 2025. The completion of issuing convertible bonds took place on 17 March 2022 as disclosed in the announcement dated 17 March 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Wai Chun Bio-Technology Limited announced to amend certain terms of the convertible bonds issued in 2020, including conversion price, interest rate, and redemption amount at maturity as disclosed in the announcement dated 22 October 2021. The redemption amount was amended to 98% of its principal amount at maturity. The remaining term to maturity was approximately 2 years from 22 October 2021. Accordingly, the interest rate was adjusted for analysis purpose only.
5. Wai Chun Group Holdings Limited announced to amend certain terms of the convertible bonds issued in 2020, including conversion price, interest rate, and redemption amount at maturity as disclosed in the announcement dated 15 October 2021. The redemption amount was amended to 98% of its principal amount at maturity. The remaining term to maturity was approximately 2 years from 15 October 2021. Accordingly, the interest rate was adjusted for analysis purpose only.
6. Hua Yin International Holdings Limited amended the maturity date afterwards as disclosed in the announcement dated 22 October 2021.

As shown in the above table, we noted that the conversion prices of the Comparable Issues ranged from (i) a discount of approximately 16.67% to a premium of approximately 61.29% over the respective closing prices of the shares on the last trading day prior to/on the date of the relevant announcement/agreement (the “**LTD Range**”), with a median premium of approximately 4.48% (the “**LTD Median**”) and an average premium of approximately 9.75% (the “**LTD Average**”); and (ii) a discount of approximately 39.5% to a premium of approximately 60.26% over the respective average closing prices of the shares on the last five consecutive trading days prior to and including the last trading day prior to/on the date of the respective announcement/agreement (the “**Five Days Range**”), with a median discount of approximately 1.14% (the “**Five Days Median**”) and an average discount of approximately 2.38% (the “**Five Days Average**”).

We also noted that the premium of the Conversion Price of approximately 15.2% over the average closing price for last five consecutive trading days up to and including the Last Trading Date falls within the Five Days Range and is higher than the Five Days Median and the Five Days Average. Besides, we also noted that the premium of the Conversion Price of approximately 15.2% over the closing price on Last Trading Date falls within the LTD Range and is higher than the LTD Median and the LTD Average.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that the Conversion Price represents a premium of approximately 8.6% over the average closing price of the Shares quoted on the Stock Exchange during the recent 30 trading days immediately preceding the date of the Subscription Agreement being approximately HK\$0.35 per Shares (the “**Prevailing 30 Days Average Price**”) and the median closing price of the Shares quoted on the Stock Exchange during the recent 30 trading days immediately preceding the date of the Subscription Agreement being approximately HK\$0.35 per Shares (the “**Prevailing 30 Days Median Price**”) that the Conversion Price had been above the closing prices of the Shares on 30 trading days out of the 30 trading days.

Analysis on the interest rate

We noted that the interest rates in respect of the Comparable Issues ranged from nil to 12% per annum (the “**Interest Range**”), with an average of approximately 2.59% per annum and a median of approximately 2.0% per annum. The interest rate of the New Convertible Bond therefore falls within the range of the interest rates of the Comparable Issues and is higher than the average interest rate and median interest rate of the Comparable Issues. Nevertheless, as stated in the Letter from the Board, the range of interest rates of the secured and unsecured borrowings of the Group (other than the Existing Bond) which ranged from approximately 6.35% to 12.0% per annum as at 31 August 2022 and we noted that the interest rate of 6% per annum charged under the New Convertible Bond is lower than the range of interest rates of the above-mentioned borrowings of the Group.

Analysis on the maturity period

Furthermore, it is also noted that the maturity period of the Comparable Issues ranged from one year to seven years. The maturity of the New Convertible Bond therefore falls within the range of the maturity of the Comparable Issues.

(i) Our view

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

- (a) the premium of the Conversion Price over the average closing price for last five consecutive trading days immediately preceding the date of the Subscription Agreement falls within the Five Days Range and is higher than the Five Days Median and the Five Days Average;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the premium of the Conversion Price over the closing price for last trading days immediately preceding the date of the Subscription Agreement falls within the LTD Range and is higher than the LTD Median and the LTD Average;
- (c) the Conversion Price represents a premium of approximately 8.6% over the Prevailing 30 Days Average Price and Prevailing 30 Days Median Price that the Conversion Price had been above the closing prices of the Shares on 30 trading days out of the 30 trading days immediately preceding the date of the Subscription Agreement;
- (d) the average daily trading liquidity of the Shares was very thin during the Review Period, with 12 months less than 0.05% of the then total number of issued ordinary Shares at each of the relevant time;
- (e) the interest rate per annum of the New Convertible Bond, being 6% per annum, falls within the Interest Range and the interest rate per annum of the New Convertible Bond, being 6% per annum, is lower than the range of interest rates of the secured and secured borrowings of the Group (other than the Existing Bond) which ranged from approximately 6.35% to 12.0% per annum as at 31 August 2022; and
- (f) the maturity period of the New Convertible Bond, being 18 months, falls within range of those of the Comparable Issues and it is agreed by the Company and the Subscriber after arms-length negotiation according to the Directors.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(6) Financial effects of the Subscription

Effect on the net asset value

Given that the New Convertible Bond, when being recognised 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 Bond by the Subscriber into Conversion Shares as a result of the decrease in liabilities and increase in share capital if the conversion rights attached to New Convertible Bond are exercised. If the conversion rights attaching to the New Convertible Bond are not exercised upon maturity of the New Convertible Bond, the Company will have to repay the loan to the Subscriber 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.

Effect on gearing

According to 2022 Interim Report, the Group's gearing ratio, which was defined to be total interest-bearing borrowings over shareholders' equity, was approximately 97% as at 30 June 2022. 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 New Convertible Bond subject to the new valuation report which to be prepared by an independent valuer.

If the conversion rights attaching to the New Convertible Bond are exercised, the gearing position of the Group would be improved. If the conversion rights attaching to the New Convertible Bond are not exercised upon maturity of the New Convertible Bond, the Company will have to repay the principal amount of the New Convertible Bond to the Subscriber 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Effect on liquidity

Since the principal amount for the New Convertible Bond up to HK\$96.5 million will be offset against the amounts due by the Company to the Subscriber under the Existing Bond, 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 Existing Bond which forms part of the current liabilities of the Group was offset by the New Convertible Bond which shall mature in the 18 months from the date of issue of the New Convertible Bond which will form part of the non-current liabilities of the Group, the working capital position would therefore be improved after the replacement.

Effect on earnings

The New Convertible Bond carries a fixed interest rate of 6% per annum and it's expected that the interest expenses on the New Convertible Bond amounted at approximately HK\$5.8 million per annum before maturity or otherwise converted into Conversion Shares, given the maximum principal amount of the New Convertible Bond of HK\$96.5 million.

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 Bond.

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.

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

As at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the shareholding structures of the Company as at the Latest Practicable Date and immediately upon Capital Reorganisation becoming effective and full conversion of (i) the minimum principal amount of the New Convertible Bond of HK\$95,500,000 and (ii) the maximum principal amount of the New Convertible Bond of HK\$96,500,000 at the initial Conversion Price only (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below):

	As at the Latest Practicable Date		Assuming full conversion of the minimum principal amount of the New Convertible Bond (being HK\$95,500,000)		Assuming full conversion of the maximum principal amount of the New Convertible Bond (being HK\$96,500,000)	
	Number of Shares	Approximate %	Number of Shares (Note 3)	Approximate %	Number of Shares (Note 3)	Approximate %
Rhenfield (Note 1)	70,366,823	28.73	70,366,823	14.18	70,366,823	14.10
Ms. Tsang (Note 2)	474,530	0.19	251,790,319	50.74	254,421,898	51.00
Mr. Tsang (Note 2)	76,950	0.03	76,950	0.01	76,950	0.01
Ms. Kwok Wai Man Nancy (Note 2)	<u>1,343,550</u>	<u>0.55</u>	<u>1,343,550</u>	<u>0.27</u>	<u>1,343,550</u>	<u>0.27</u>
Sub-total	<u><u>72,261,853</u></u>	<u><u>29.50</u></u>	<u><u>323,577,642</u></u>	<u><u>65.20</u></u>	<u><u>326,209,221</u></u>	<u><u>65.38</u></u>
Directors:						
Mr. Kwok Siu Bun	150,000	0.06	150,000	0.03	150,000	0.03
Ms. Chow Kwai Wa Charmaine	195,000	0.08	195,000	0.04	195,000	0.04
Ms. Kwok Siu Wa Alison	300,000	0.12	300,000	0.06	300,000	0.06
Public Shareholders	<u>172,048,560</u>	<u>70.24</u>	<u>172,048,560</u>	<u>34.67</u>	<u>172,048,560</u>	<u>34.49</u>
Total	<u><u>244,955,413</u></u>	<u><u>100.00</u></u>	<u><u>496,271,202</u></u>	<u><u>100.00</u></u>	<u><u>498,902,781</u></u>	<u><u>100.00</u></u>

Notes:

- Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who were deemed to be interested in 70,366,823 Shares as at the Latest Practicable Date 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.
- Pursuant to the terms of the New Convertible Bond, the Subscriber has agreed and undertaken to the Company that it shall not exercise any of the Conversion Rights unless the relevant applicable requirements under the Takeovers Code had been or will be duly complied with or the Company will be unable to meet the public float requirements under the Listing Rules. Accordingly, scenario above is shown for illustrative purpose only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the terms of New Convertible Bond, the Subscriber shall have the Conversion Rights to convert whole or in part (in an integral multiple of HK\$1,000,000) of the New Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day from the date of issue of the New Convertible Bond and up to the maturity date of the New Convertible Bond, subject to the restrictions on the exercise of Conversion Right that the Subscriber agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) 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 Subscriber 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 Convertible Bond 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 Bond 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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
Managing 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 type (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 24 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. SHARE CAPITAL AND CONVERTIBLE BOND**(a) Share Capital**

Assuming there is no other change in the authorised and issued share capital of the Company since the Latest Practicable Date, the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the New Convertible Bond (based on the maximum principal amount thereof to be issued) at the initial Conversion Price are as follows:

(i) As at the Latest Practicable Date

Authorised capital:

HK\$

<u>50,000,000,000</u>	Shares of HK\$0.01 each	<u>500,000,000.00</u>
-----------------------	-------------------------	-----------------------

Issued and fully paid or credited as fully paid:

<u>244,955,413</u>	Shares of HK\$0.01 each	<u>2,449,554.13</u>
--------------------	-------------------------	---------------------

(ii) **Immediately upon full conversion of the New Convertible Bond (based on the maximum principal amount thereof to be issued) at the initial Conversion Price**

Authorised capital:

HK\$

<u>50,000,000,000</u>	Shares of HK\$0.01 each	<u>500,000,000.00</u>
-----------------------	-------------------------	-----------------------

Issued and fully paid or credited as fully paid:

244,955,413	Shares of HK\$0.01 each	2,449,554.13
253,947,368	Maximum number of Conversion Shares to be allotted and issued upon full conversion of the New Convertible Bond	2,539,473.68
<u>498,902,781</u>	Shares of HK\$0.01 each	<u>4,989,027.81</u>

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

The Conversion Shares to be issued upon exercise of the Conversion Rights will rank *pari passu* in all respects among themselves and with all Shares in issue as at the date of allotment and issue of the Conversion Shares, including in particular, as to voting rights, return on capital and the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange.

The Company had no outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into Shares or any agreement or arrangement other than the Subscription Agreement, particulars of which are disclosed in the letter from the Board contained in this circular, as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, 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
Kwok Siu Bun	Beneficial Owner	150,000 (L)	–	150,000 (L)	0.06%
Chow Kwai Wa Charmaine	Beneficial Owner	195,000 (L)	–	195,000 (L)	0.08%
Kwok Siu Wa Alison	Beneficial Owner	300,000 (L)	–	300,000 (L)	0.12%

(L): Long position

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in Shares and underlying Shares

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 is known to the Directors, the persons (other than a Director or chief executive of the Company or their respective associates) or entities who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who 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 of any other company which is a member of the Group, 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 (<i>Note 1</i>)	Beneficial Owner	70,366,823	–	28.73%
Tsang Yee	Interest in Controlled Corporation (<i>Note 1</i>)	70,366,823	–	28.73%
Ms. Tsang	Beneficial Owner	474,530	253,947,368 (<i>Note 2</i>)	103.86%
	Interest in Controlled Corporation (<i>Note 1</i>)	70,366,823	–	28.73%
Lui Kin Chung (<i>Note 3</i>)	Interest of spouse	70,841,353	253,947,368 (<i>Note 2</i>)	132.59%
周伟康	Beneficial Owner	14,869,514	–	6.07%

Notes:

- Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who were deemed to be interested in 70,366,823 Shares pursuant to the Part XV of the SFO.
- The 253,947,368 Shares that Ms. Tsang are interested in represent the underlying Shares of the New Convertible Bond with a maximum principal amount of HK\$96.5 million at the Conversion Price of HK\$0.38 per Share conditionally agreed to be subscribed by Ms. Tsang pursuant to the Subscription Agreement. Details were set out in the announcement of the Company dated 5 September 2022 and this circular.
- Mr. Lui Kin Chung is the spouse of Ms. Tsang. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of Shares in which Ms. Tsang is interested.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 to the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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 of any other company which is a member of the Group, or any options in respect of such share capital.

4. SERVICE CONTRACTS

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

5. OTHER INTERESTS OF THE DIRECTORS

- (a) 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 2021 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group subsisted at the Latest Practicable Date.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors of the Group were appointed as Directors to represent the interests of the Company and/or the Group.

7. MATERIAL ADVERSE CHANGE

As stated in the interim report of the Company for the six months ended 30 June 2022, the downturn of results of the Group during the six months ended 30 June 2022 was principally attributable to the fair value loss on investment properties and provision for compensation of a legal case.

According to the China Economic Update – June 2022 published by the World Bank (<https://www.worldbank.org/en/country/china/publication/china-economic-update-june-2022>), after a strong start in early 2022, the largest COVID-19 wave in two years and resulting mobility restrictions have disrupted China’s growth normalization. Despite the deteriorating global environment and the impact of the recent Omicron wave, China posted robust economic growth of 4.8 percent year-on-year in the first quarter of 2022. However, economic momentum plunged in March and April with broad-based weakness in production activity and a notable deterioration in domestic demand conditions. The outbreaks also led to a dip in trade flows on the back of already softening external demand.

Recent efforts by the authorities to reduce real estate developers’ indebtedness triggered a liquidity crisis in the second half of 2021, as several large developers defaulted on their debt obligations and were forced into a fire sale of assets to repay creditors. As the distress of developers created downward pressures on the property markets, the authorities recently unveiled a series of measures to stabilize the property market. These include giving developers easier access to presale funds held in escrow, reducing down payment ratios and allowing commercial banks to lower mortgage rates. Although the financial sector appears resilient to the immediate shocks from the property market downturn, there are vulnerabilities that warrant close attention going forward. Meanwhile, it is also noted that a number of major property developers in the PRC were still facing financial difficulties in 2022.

Nevertheless, the Group is cautiously optimistic about the future of the economy and is planning to sell the assets in the non-core areas in order to accumulate more cash to lower the debt ratio and to invest cautiously. The Group will use its best endeavour to lower its operation costs and debt in order to minimize the impacts which might be caused by the unstable peripheral factors.

Save as disclosed above, the Directors were not aware of any material adverse changes in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice or opinion contained in this circular:

Name	Qualifications
Red Sun Capital	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, Red Sun Capital did not have any shareholding in any member of the Group and did not have 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 did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.gfghl.com>) for a period of not less than 14 days before the date of the SGM and will also be available for inspection at the SGM:

- (a) the Subscription Agreement;
- (b) the letter of advice from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (c) the letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (d) the written consent from Red Sun Capital referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (e) this circular.

10. MISCELLANEOUS

- (a) The English text of this circular and accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

NOTICE OF THE SGM



鈞濠集團

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 a special general meeting (the “**Meeting**”) of Grand Field Group Holdings Limited (the “**Company**”) will be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Wednesday, 26 October 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as a special resolution and an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 10 October 2022 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT

- (a) the conditional subscription agreement dated 5 September 2022 (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 between the Company (as issuer) and Ms. Tsang Tsz Nok Aleen (as subscriber) in relation to the settlement of for the outstanding principal amount of the 5% convertible bond due on 22 August 2022 issued by the Company to Ms. Tsang as at the Completion Date and the interest attributable to the Existing Bond (details were disclosed in the Circular, a copy of which is marked “B” and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting) and the transactions contemplated thereunder including but not limited to the issue of 6% convertible bond with a 18 months term under the Subscription Agreement which are convertible into ordinary shares of the Company at the initial conversion price of HK\$0.38 per Conversion Share (subject to adjustment as set out in the New Convertible Bond from time to time, if any) to Ms. Tsang pursuant to the Subscription Agreement, and the allotment and issue of the shares of HK\$0.01 each in the share capital of the Company upon conversion of the New Convertible Bond be and are hereby generally and unconditionally approved, confirmed and ratified;

* For identification purposes only

NOTICE OF THE 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 Bond; 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.”

By order of the Board of
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

Hong Kong, 10 October 2022

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

*Head office and principal place of
business in Hong Kong:*
Unit 1004B, 10/F,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him, if he is a holder of two or more shares, he may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but he must be present in person at the Meeting to represent the member. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at <https://www.hkexnews.hk>. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, shall be delivered to the office of the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and delivery of a form of proxy will not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of a share, if more than one of such joint holders be present at the Meeting either personally or by proxy, the vote of the senior who tenders a vote, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.

NOTICE OF THE SGM

4. The resolutions proposed to be approved at the Meeting will be voted by way of poll.
5. In order to be eligible to attend and vote at the Meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 October 2022.
6. 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 Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company at <https://www.gfghl.com> and the Stock Exchange at <https://www.hkexnews.hk> to notify members of the date, time and place of the rescheduled meeting.
7. To safeguard the health and safety of Shareholders who might be attending the Meeting in person, the Company will implement the following precautionary measures at the Meeting:
 - Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the Meeting venue. Any person with a body temperature above 37.2 degree Celsius, or is exhibiting any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the Meeting venue and be required to leave the Meeting venue.
 - Shareholders, proxies and other attendees are required to comply with the latest pandemic prevention policy requirements of the Hong Kong Government. Any person who does not comply with relevant requirements will be required to leave the Meeting venue.
 - Shareholders, proxies and other attendees are required to wear surgical face masks inside the Meeting venue at all times. Any person who does not comply with this requirement will be required to leave the Meeting venue.
 - No refreshments or drinks will be served at the Meeting.
8. As at the date of this notice, the board of Directors comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan.