

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

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

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

---



**Capital Finance Holdings Limited**  
**首都金融控股有限公司**

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8239)**

**CONNECTED TRANSACTION IN RELATION TO  
THE PROPOSED EXTENSION OF MATURITY DATE  
OF CONVERTIBLE BONDS UNDER  
THE SPECIFIC MANDATE**

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

**AMASSE CAPITAL**  
**寶 積 資 本**

---

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

A letter of advice from Amasse Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 93 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 42 of this circular.

A notice convening the SGM to be held at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 11:00 a.m. on 7 May 2019 is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. 11:00 a.m. on 7 May 2019) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

30 March 2019

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	42
<b>LETTER FROM AMASSE CAPITAL LIMITED</b> .....	43
<b>APPENDIX — GENERAL INFORMATION</b> .....	94
<b>NOTICE OF SGM</b> .....	SGM-1

---

## CHARACTERISTICS OF GEM

---

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“2014 Bondholders”	the registered holders and/or beneficial owners of the 2014 Convertible Bonds
“2014 Conversion Shares”	new Shares to be allotted and issued by the Company under the Specific Mandate upon exercise of the conversion rights attaching to the 2014 Convertible Bonds
“2014 Convertible Bonds”	the Existing 2014 Convertible Bonds as amended by the Amendment Deeds
“2015 Bondholders”	the registered holders and/or beneficial owners of the 2015 Convertible Bonds
“2015 Conversion Shares”	new Shares to be allotted and issued by the Company under the Specific Mandate upon exercise of the conversion rights attaching to the 2015 Convertible Bonds
“2015 Convertible Bonds”	the Existing 2015 Convertible Bonds as amended by the Amendment Deeds
“Acquisition Agreement”	means the sale and purchase agreement dated 23 December 2013 entered into between a wholly-owned subsidiary of the Company as the purchaser and Exuberant Global, Bustling Capital and Time Prestige as the vendors, and as supplemented by the extension letter dated 19 May 2014 in relation to the acquisition of entire issued share capital of Prima Finance Holdings Limited
“Alteration”	the extension of the maturity date of the 2014 Convertible Bonds by 3 years from 24 June 2019 to 24 June 2022, and the 2015 Convertible Bonds by 3 years from 5 February 2020 to 5 February 2023 pursuant to the Amendment Deeds
“Amendment Deeds”	the deeds executed by the Company on 20 February 2019 to extend the maturity date of the Convertible Bonds in accordance with the Alteration

---

## DEFINITIONS

---

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholders”	the 2014 Bondholders and the 2015 Bondholders, collectively
“Bustling Capital”	Bustling Capital Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Ms. Jin Yu
“BVI”	the British Virgin Islands
“Company”	Capital Finance Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the GEM (stock code: 8239)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$0.35 per Conversion Share (subject to adjustments)
“Conversion Shares”	the 2014 Conversion Shares and the 2015 Conversion Shares
“Convertible Bonds”	the 2014 Convertible Bonds and the 2015 Convertible Bonds, collectively
“Director(s)”	the director(s) of the Company
“Earn-out Consideration”	part of the total consideration under the Acquisition Agreement payable by the Company
“Existing 2014 Convertible Bond(s)”	the zero coupon convertible bond(s) due on 24 June 2019 in an aggregate principal amount of HK\$420,200,000 issued by the Company on 25 June 2014 and with outstanding principal of HK\$387,200,000 as at the Latest Practicable Date

---

## DEFINITIONS

---

“Existing 2015 Convertible Bond(s)”	the zero coupon convertible bond(s) due on 5 February 2020 in an aggregate principal amount of HK\$236,000,000 issued by the Company on 6 February 2015 and with outstanding principal of HK\$194,000,000 as at the Latest Practicable Date
“Exuberant Global”	Exuberant Global Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Dai Di
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been established to make recommendation to the Independent Shareholders in respect of the Amendment Deeds and the transactions contemplated thereunder
“Independent Financial Adviser”	Amasse Capital Limited, 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, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deeds and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Bondholders and their respective associates

---

## DEFINITIONS

---

“Latest Practicable Date”	27 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“Mr. Dai Di”	Mr. Dai Di, the brother of Mr. Dai Hao, and the beneficial owner of Exuberant Global
“Mr. Dai Hao”	Mr. Dai Hao, the brother of the Mr. Dai Di and the beneficial owner of Time Prestige
“Ms. Jin Yu”	Ms. Jin Yu, the spouse of Mr. Dai Hao and the beneficial owner of Bustling Capital
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on 7 May 2019 at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 11:00 a.m., notice of which is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering, and, if thought fit, approving the Amendment Deeds and the transactions contemplated thereunder (including the granting of the Specific Mandate to the Directors to allot and issue the Conversion Shares)
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

---

## DEFINITIONS

---

“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM for the allotment and issue of up to a maximum of 1,660,571,428 Conversion Shares, which is calculated according to initial Conversion Price of HK\$0.35 per Conversion Share (subject to adjustments)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs
“Time Prestige”	Time Prestige Holdings Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Dai Hao
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



---

LETTER FROM THE BOARD

---



**Capital Finance Holdings Limited**  
**首都金融控股有限公司**

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8239)**

*Executive Directors*

Mr. Zhang Wei

*(Chairman and Chief Executive Officer)*

Mr. Yang Bo *(Chief Operating Officer)*

*Non-executive Director*

Mr. Zang Wei

*Independent non-executive Directors*

Mr. Chen Yihua

Mr. Du Hui

Dr. Wong Wing Kuen, Albert

*Registered Office*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Unit 2613A, 26/F.

Mira Place Tower A

132 Nathan Road, Tsimshatsui

Kowloon

Hong Kong

30 March 2019

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
THE PROPOSED EXTENSION OF MATURITY DATE  
OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 20 February 2019, 23 December 2013, and the circular of the Company dated 30 May 2014 (the “**Previous Circular**”) in relation to, among other things, the Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Previous Circular. The purpose of this circular is to provide you with information relating to (i) the Alteration and (ii) the Specific Mandate; and (iii) the notice of SGM.

---

## LETTER FROM THE BOARD

---

On 23 December 2013, the Company and each of Exuberant Global, Bustling Capital and Time Prestige entered into the Acquisition Agreement, pursuant to which the Company was to issue the Existing 2014 Convertible Bonds in the principal amount of HK\$255,630,000, HK\$117,550,000 and HK\$47,020,000, to each of Exuberant Global, Bustling Capital and Time Prestige, respectively, as part of the settlement of the purchase price under the Acquisition Agreement. Completion of the Acquisition Agreement took place on 25 June 2014 and the Convertible Bonds were issued to each of Exuberant Global, Bustling Capital and Time Prestige.

In addition, pursuant to the Acquisition Agreement and as disclosed in the Previous Circular and the announcement of the Company dated 4 February 2015, the Company was to further issue the Existing 2015 Convertible Bonds in the principal amount of HK\$236,000,000 to Exuberant Global as settlement of the Earn-out Consideration.

The Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds are interest-free and convertible into Shares. As at the Latest Practicable Date, the aggregate outstanding principal amount of the Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds is HK\$581,200,000, details as follows:

- a. Time Prestige is holding an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$47,020,000 maturing on 24 June 2019;
- b. Bustling Capital is holding an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$117,550,000 maturing on 24 June 2019;
- c. Choice Magic Limited (“**Choice Magic**”) is holding an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;
- d. Ultimate One Limited (“**Ultimate One**”) is holding an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;
- e. Exuberant Global is holding an Existing 2014 Convertible Bond and an Existing 2015 Convertible Bond in the outstanding principal amount of HK\$202,630,000 and HK\$179,000,000 maturing on 24 June 2019 and 5 February 2020, respectively; and
- f. Genius Ideal Limited is holding an Existing 2015 Convertible Bond in the outstanding principal amount of HK\$15,000,000 maturing on 5 February 2020.

## LETTER FROM THE BOARD

Set out below is the movement of the Existing 2014 Convertible Bonds from the date of issuance up to the date of the entering into of the Amendment Deeds:

Principal amounts of the 2014 Convertible Bonds (HK\$'000)	Time Prestige	Bustling Capital	Choice Magic (Note 1)	Ultimate One (Note 1)	Exuberant Global	Green Garden Holdings Limited ("Green Garden") (Note 2)	Silver Palm Limited ("Silver Palm") (Note 1 and 2)
Issuance of the 2014 Convertible Bonds upon completion of the Acquisition Agreement on 25 June 2014	47,020,000	117,550,000	—	—	255,630,000	—	—
Transfer of the 2014 Convertible Bonds on 4 July 2014	—	—	—	—	(25,000,000)	—	25,000,000
Transfer of the 2014 Convertible Bonds on 2 April 2015	—	—	10,000,000	10,000,000	(28,000,000)	8,000,000	—
Conversion of the 2014 Convertible Bonds on 13 April 2015 (Note 2)	—	—	—	—	—	(8,000,000)	(25,000,000)
Outstanding Existing 2014 Convertible Bonds as at the date of the Amendment Deeds	<u>47,020,000</u>	<u>117,550,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>202,630,000</u>	<u>—</u>	<u>—</u>

*Notes:*

- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Choice Magic, Green Garden, Silver Palm, Ultimate One and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.
- On 13 April 2015, Green Garden converted the 2014 Convertible Bonds in the principal amount of HK\$8,000,000 and 22,857,142 Shares were allotted and issued to Green Garden at the Conversion Price of HK\$0.35 per Share.

On 13 April 2015, Silver Palm converted the 2014 Convertible Bonds in the principal amount of HK\$25,000,000 and 71,428,571 Shares were allotted and issued to Silver Palm at the Conversion Price of HK\$0.35 per Share.

---

## LETTER FROM THE BOARD

---

Set out below is the movement of the 2015 Convertible Bonds from the date of issuance up to the date of the entering into of the Amendment Deeds:

<b>Principal amounts of the 2015 Convertible Bonds</b> <i>(HK\$'000)</i>	<b>Exuberant Global</b>	<b>Genius Ideal Limited ("Genius Ideal")</b> <i>(Note 1)</i>
Issuance of the 2015 Convertible Bonds as settlement of the Earn-out Consideration on 6 February 2015	236,000,000	—
Transfer of the 2015 Convertible Bonds	(15,000,000)	15,000,000
Conversion of the 2015 Convertible Bonds on 9 January 2017 <i>(Note 2)</i>	<u>(42,000,000)</u>	<u>—</u>
Outstanding Existing 2015 Convertible Bonds as at the date of the Amendment Deeds	<u><u>179,000,000</u></u>	<u><u>15,000,000</u></u>

*Notes:*

1. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Genius Ideal and its ultimate beneficial owner are third parties independent of the Company and its connected persons.
2. On 9 January 2017, Exuberant Global converted the 2015 Convertible Bonds in the principal amount of HK\$42,000,000 and 120,000,000 Shares were allotted and issued to Exuberant Global at the Conversion Price of HK\$0.35 per Share.

On 20 February 2019, the Company executed the Amendment Deeds, to extend the maturity date of the Existing 2014 Convertible Bonds by three years from 24 June 2019 to 24 June 2022, and the Existing 2015 Convertible Bonds by three years from 5 February 2020 to 5 February 2023. Save for the Alteration, all other terms and conditions of the Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds shall remain unchanged.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Amendment Deeds; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the SGM.

---

## LETTER FROM THE BOARD

---

### THE AMENDMENT DEEDS

On 20 February 2019, the Company executed the Amendment Deeds, to extend the maturity date of the Existing 2014 Convertible Bonds by three years from 24 June 2019 to 24 June 2022, and the Existing 2015 Convertible Bonds by three years from 5 February 2020 to 5 February 2023. Save for the Alteration, all other terms and conditions of the Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds shall remain unchanged.

Each of Time Prestige, Bustling Capital, Choice Magic, Ultimate One, Exuberant Global and Genius Ideal is an investment holding company.

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the Latest Practicable Date, Time Prestige, Bustling Capital and Exuberant Global are interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a connected person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, the Amendment Deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### CONDITIONS PRECEDENT

The Amendment Deeds will only become effective upon all the following conditions having been fulfilled:

- i. the approval of the Alteration as stipulated under the Amendment Deeds by the Stock Exchange;
- ii. the passing of an ordinary resolution to approve the Alteration as stipulated under the Amendment Deeds (including the Specific Mandate to the Directors to allot and issue the Conversion Shares) by the Independent Shareholders at the SGM to be held and convened to approve the Amendment Deeds and the transactions contemplated thereunder; and

---

## LETTER FROM THE BOARD

---

- iii. all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of Alteration as stipulated under the Amendment Deeds.

In the event that the above conditions precedent are not fulfilled by 20 August 2019 (or such other date as may be agreed by the Company and the Bondholders in writing), the provisions of the Amendment Deeds shall become null and void. For the avoidance of doubt, the Convertible Bonds shall remain valid and effective in accordance with its terms. The Amendment Deeds and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other. In the event the above conditions precedent are not fulfilled by 20 August 2019, the Company and the Bondholders will enter into supplemental agreements to further postpone the completion of the Amendment Deeds. The major Existing 2014 Convertible Bondholders in aggregate holding around 94.83% of the outstanding principal amount of the Existing 2014 Convertible Bonds as at the Latest Practicable Date, namely Time Prestige, Exuberant Global and Bustling Capital agreed to enter into an undertaking that they shall not request the Company to repay the Existing 2014 Convertible Bonds after maturity date (i.e. 24 June 2019) to 20 August 2019. The Company shall further discuss with the remaining Existing 2014 Convertible Bondholders regarding the arrangement after the maturity date on 20 August 2019 in the event the above conditions precedent are not fulfilled by the maturity date.

The principal terms of the Convertible Bonds after the Amendment Deeds becomes effective are as follows:

### **2014 Convertible Bonds**

Issuer	:	the Company
Outstanding principal amount	:	HK\$387,200,000
Interest	:	non-interest bearing
Maturity	:	24 June 2022
Security	:	unsecured
Conversion right	:	the holder(s) of the 2014 Convertible Bonds shall have the right to convert the whole or a part (in multiples of HK\$1,000,000) of the outstanding principal amount of the 2014 Convertible Bonds into the 2014 Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit (as defined in the Previous Circular) and up to the seventh day prior to the maturity date of the 2014 Convertible Bonds.

---

## LETTER FROM THE BOARD

---

Conversion restriction : the 2014 Bond holder(s) shall not have the right to convert the 2014 Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the 2014 Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the 2014 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.

Conversion Price : HK\$0.35 per 2014 Conversion Share (subject to anti-dilutive adjustments).

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

- (a) if and whenever there is an alternation of the number of issued Shares by reason of any consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alternation by the following fraction:

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

where:

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

B = the number of Shares in issue immediately after such alternation.

Such adjustment shall become effective from the close of business in Hong Kong on the business day immediately preceding the date on which the alternation takes effect.

---

## LETTER FROM THE BOARD

---

- (b) if and whenever the Company shall issue any Shares (excluding Shares paid up out of profits or reserves and issued in whole or in part of a cash dividend) credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{C}{D}$$

where:

C = the number of Shares in issue immediately before such issue; and

D = the number of Shares in issue immediately after such issue.

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

- (c) if and whenever the Company shall grant rights to Shareholder to acquire any cash assets of the Company or any subsidiaries of the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such grant of rights by the following fraction:

$$\frac{E-F}{E}$$

where:

E = the market price on the date on which the grant is publicly announced or (failing any such announcement) the date immediately preceding the date of such grant; and

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of such rights which is attributable to one Share.



---

## LETTER FROM THE BOARD

---

Provided that:

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

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

- (d) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or grant the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such issue or grant by the following fraction:

$$\frac{G}{G + H} + \frac{H \times I}{J}$$

where:

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

H = the aggregate number of Shares so offered or granted for subscription; and

I = the sum of the amount (if any) payable for the right, option or warrant to subscribe for each new Share and the subscription price payable for each new Share; and

---

## LETTER FROM THE BOARD

---

J = the market price of one Share on the trading day immediately prior to such announcement.

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

- (e) (i) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription right conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on a business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

---

## LETTER FROM THE BOARD

---

- (ii) if and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in subparagraph (e)(i) above are modified so that the total Effective Consideration per Share (as defined below) initially received for such securities shall be (1) reduced and (2) less than 80% of the market price at the date of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take into account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

---

## LETTER FROM THE BOARD

---

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

- (f) If and whenever the Company shall issue wholly for cash any Shares (excluding the circumstances as described under sub-paragraphs (d) and (e)) at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

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

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

---

## LETTER FROM THE BOARD

---

- (g) if and whenever the Company shall issue Shares for the acquisition of assets at a total Effective Consideration (as defined below) which is less than 80% of the market price (as defined below) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved investment bank. Such adjustment shall become effective on the date of issue. For the purpose of this subparagraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Share by the Company on acquisition of the relevant asset without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.
- (h) if and whenever the Company shall make any capital distribution to the Shareholders (whether on a reduction of capital or otherwise) or shall grant rights to Shareholders to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E-F}{E}$$

where:

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

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of the capital distribution or of such rights which is attributable to one Share.

---

## LETTER FROM THE BOARD

---

Provided that:

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

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

- (i) if the Company or the holders of the Convertible Bonds determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in the sub-paragraphs (a) to (h) above) (even if the relevant event or circumstance is specifically excluded in the sub-paragraphs (a) to (h) above), the Company or the holders of the Convertible Bonds may, at their own expense, request the investment bank as approved by the Company and holder(s) of the Convertible Bonds, acting as an expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the approved investment bank considers in good faith to reflect the intentions of this provision; and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (i) if the approved investment bank is so requested to make such a determination.

---

## LETTER FROM THE BOARD

---

- Ranking : the 2014 Conversion Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.
- Transferability : subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the 2014 Convertible Bonds may be transferred or assigned by the 2014 Bondholder(s) in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the 2014 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2014 Convertible Bonds) without the prior consent of the Company.
- Redemption : unless previously converted, the Company shall pay 105% of the outstanding principal amount under the 2014 Convertible Bonds to the 2014 Bondholder(s) on the maturity date of the 2014 Convertible Bonds.
- Repurchase : the Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2014 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the 2014 Bondholder(s). The 2014 Convertible Bonds repurchased will be cancelled forthwith.
- Voting rights : the 2014 Convertible Bonds shall not carry any voting rights.
- Listing : no application will be made by the Company for the listing of the 2014 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the 2014 Conversion Shares.

---

## LETTER FROM THE BOARD

---

- Event of Default : upon the occurrence of any of the following events of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the 2014 Bondholder(s) at a meeting of the 2014 Bondholder(s) or a written resolution signed by the 2014 Bondholder(s) which amounted to three-fourths of the then outstanding principal amounts of the 2014 Convertible Bonds, the 2014 Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%:
- (a) except when the general offer or partial offer made to the Shareholders becomes unconditional, the Shares:
    - (i) are delisted from the Stock Exchange; or
    - (ii) are suspended for trading on the Stock Exchange for consecutive fifteen(15) trading days due to the defaults by the Company or any of its Directors, officers, employees or agents; or
  - (b) default in performance or observance or compliance with any of its material obligations contained in the 2014 Convertible Bonds (except the covenants in relation to the payment of the principal of the 2014 Convertible Bonds and the issuance of 2014 Conversion Shares), and such default is not remedied within fifteen (15) business days after the service of a notice requesting remedial actions for such default given by the 2014 Bondholders holding, or in aggregate holding at least 51% of the outstanding principal of the 2014 Convertible Bonds to the Company; or
  - (c) default in the payment of principal at maturity by the Company; or



---

## LETTER FROM THE BOARD

---

- (d) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the 2014 Convertible Bonds or would otherwise result in any material terms contained in the 2014 Convertible Bonds be or becoming unenforceable, or would otherwise render the 2014 Convertible Bonds inadmissible as evidence in court; or
- (e) (i) any present or future material indebtedness of the Company becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or (ii) any indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company fails to pay when due any amount payable by it under any present or future guarantee or indemnity provided that the incurred liability, guarantee or indemnity by one or more events as referred in this clause, shall be equal to or exceed HK\$ 8,000,000 or the equivalent amount of any other currencies; or
- (f) an encumbrancer takes possession of the whole or any substantial part of the undertaking, property, assets or revenues of the Company (whether such possession is effected by seizure of goods, enforcement of judgements, seizure before or after judgements or by other proceedings), or a receiver is appointed, and such possession or appointment is not released or revoked within sixty (60) business days; or
- (g) the Company becomes insolvent or unable to pay its debts as they become due, or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or

---

## LETTER FROM THE BOARD

---

- (h) an order is made or an effective resolution is passed for the winding-up of the Company; or
- (i) a moratorium is agreed or declared in respect of any indebtedness of the Company, or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (j) any events which would lead to similar results as of any above events of default.

Interest shall be chargeable on any amount outstanding from the 2014 Convertible Bonds from the date of the event of default until the actual date of payment.

### 2015 Convertible Bonds

Issuer	:	the Company
Outstanding principal amount	:	HK\$194,000,000
Interest	:	non-interest bearing
Maturity	:	5 February 2023
Security	:	unsecured
Conversion right	:	the holder(s) of the 2015 Convertible Bonds shall have the right to convert the whole or a part (in multiples of HK\$1,000,000) of the outstanding principal amount of the 2015 Convertible Bonds into the 2015 Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit (as defined in the Previous Circular) and up to the seventh day prior to the maturity date of the 2015 Convertible Bonds.
Conversion restriction	:	the 2015 Bondholder(s) shall not have the right to convert the 2015 Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the 2015 Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the 2015 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.

---

## LETTER FROM THE BOARD

---

Conversion Price : HK\$0.35 per 2015 Conversion Share (subject to anti-dilutive adjustments).

Provision of adjustment to the: the Conversion Price will be adjusted upon the  
Conversion Price occurrence of the following events:

- (a) if and whenever there is an alternation of the number of issued Shares by reason of any consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alternation by the following fraction:

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

where:

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

B = the number of Shares in issue immediately after such alternation.

Such adjustment shall become effective from the close of business in Hong Kong on the business day immediately preceding the date on which the alternation takes effect.

---

## LETTER FROM THE BOARD

---

- (b) if and whenever the Company shall issue any Shares (excluding Shares paid up out of profits or reserves and issued in whole or in part of a cash dividend) credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{C}{D}$$

where:

C = the number of Shares in issue immediately before such issue; and

D = the number of Shares in issue immediately after such issue.

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

- (c) if and whenever the Company shall grant rights to Shareholder to acquire any cash assets of the Company or any subsidiaries of the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such grant of rights by the following fraction:

$$\frac{E-F}{E}$$

where:

E = the market price on the date on which the grant is publicly announced or (failing any such announcement) the date immediately preceding the date of such grant; and

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of such rights which is attributable to one Share.

---

## LETTER FROM THE BOARD

---

Provided that:

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

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

- (d) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or grant the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such issue or grant by the following fraction:

$$\frac{G}{G + H} + \frac{H \times I}{J}$$

where:

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

H = the aggregate number of Shares so offered or granted for subscription; and

I = the sum of the amount (if any) payable for the right, option or warrant to subscribe for each new Share and the subscription price payable for each new Share; and

---

## LETTER FROM THE BOARD

---

J = the market price of one Share on the trading day immediately prior to such announcement

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

- (e) (i) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription right conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on a business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

---

## LETTER FROM THE BOARD

---

- (ii) if and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in subparagraph (e)(i) above are modified so that the total Effective Consideration per Share (as defined below) initially received for such securities shall be (1) reduced and (2) less than 80% of the market price at the date of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take into account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

---

## LETTER FROM THE BOARD

---

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

- (f) If and whenever the Company shall issue wholly for cash any Shares (excluding the circumstances as described under sub-paragraphs (d) and (e)) at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

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

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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



---

## LETTER FROM THE BOARD

---

- (g) if and whenever the Company shall issue Shares for the acquisition of assets at a total Effective Consideration (as defined below) which is less than 80% of the market price (as defined below) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved investment bank. Such adjustment shall become effective on the date of issue. For the purpose of this subparagraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Share by the Company on acquisition of the relevant asset without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.
- (h) if and whenever the Company shall make any capital distribution to the Shareholders (whether on a reduction of capital or otherwise) or shall grant rights to Shareholders to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E-F}{E}$$

where:

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

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of the capital distribution or of such rights which is attributable to one Share.

---

## LETTER FROM THE BOARD

---

Provided that:

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

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

- (i) if the Company or the holders of the Convertible Bonds determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in the sub-paragraphs (a) to (h) above) (even if the relevant event or circumstance is specifically excluded in the sub-paragraphs (a) to (h) above), the Company or the holders of the Convertible Bonds may, at their own expense, request the investment bank as approved by the Company and holder(s) of the Convertible Bonds, acting as an expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the approved investment bank considers in good faith to reflect the intentions of this provision; and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (i) if the approved investment bank is so requested to make such a determination.

---

## LETTER FROM THE BOARD

---

- Ranking : the 2015 Conversion Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.
- Transferability : subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the 2015 Convertible Bonds may be transferred or assigned by the 2015 Bondholders in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the 2015 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2015 Convertible Bonds) without the prior consent of the Company.
- Redemption : unless previously converted, the Company shall pay 105% of the outstanding principal amount under the 2015 Convertible Bonds to the 2015 Bondholders on the maturity date of the 2015 Convertible Bonds.
- Repurchase : the Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2015 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the 2015 Bondholders. The 2015 Convertible Bonds repurchased will be cancelled forthwith.
- Voting rights : the 2015 Convertible Bonds shall not carry any voting rights.
- Listing : no application will be made by the Company for the listing of the 2015 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the 2015 Conversion Shares.

---

## LETTER FROM THE BOARD

---

- Event of Default : upon the occurrence of any of the following events of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the 2015 Bondholders at a meeting of the 2015 Bondholders or a written resolution signed by the 2015 Bondholders which amounted to three-fourths of the then outstanding principal amounts of the 2015 Convertible Bonds, the 2015 Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%:
- (a) except when the general offer or partial offer made to the Shareholders becomes unconditional, the Shares:
    - (i) are delisted from the Stock Exchange; or
    - (ii) are suspended for trading on the Stock Exchange for consecutive fifteen(15) trading days due to the defaults by the Company or any of its Directors, officers, employees or agents; or
  - (b) default in performance or observance or compliance with any of its material obligations contained in the 2015 Convertible Bonds (except the covenants in relation to the payment of the principal of the 2015 Convertible Bonds and the issuance of 2015 Conversion Shares), and such default is not remedied within fifteen (15) business days after the service of a notice requesting remedial actions for such default given by the 2015 Bondholders holding, or in aggregate holding at least 51% of the outstanding principal of the 2015 Convertible Bonds to the Company; or
  - (c) default in the payment of principal at maturity by the Company; or

---

## LETTER FROM THE BOARD

---

- (d) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the 2015 Convertible Bonds or would otherwise result in any material terms contained in the 2015 Convertible Bonds be or becoming unenforceable, or would otherwise render the 2015 Convertible Bonds inadmissible as evidence in court; or
- (e) (i) any present or future material indebtedness of the Company becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or (ii) any indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company fails to pay when due any amount payable by it under any present or future guarantee or indemnity provided that the incurred liability, guarantee or indemnity by one or more events as referred in this clause, shall be equal to or exceed HK\$ 8,000,000 or the equivalent amount of any other currencies; or
- (f) an encumbrancer takes possession of the whole or any substantial part of the undertaking, property, assets or revenues of the Company (whether such possession is effected by seizure of goods, enforcement of judgements, seizure before or after judgements or by other proceedings), or a receiver is appointed, and such possession or appointment is not released or revoked within sixty (60) business days; or
- (g) the Company becomes insolvent or unable to pay its debts as they become due, or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or

---

## LETTER FROM THE BOARD

---

- (h) an order is made or an effective resolution is passed for the winding-up of the Company; or
- (i) a moratorium is agreed or declared in respect of any indebtedness of the Company, or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (j) any events which would lead to similar results as of any above events of default.

Interest shall be chargeable on any amount outstanding from the 2015 Convertible Bonds from the date of the event of default until the actual date of payment.

Save and except for the Alteration, all terms and conditions of the Convertible Bonds remain unchanged.

The Conversion Price of HK\$0.35 per Conversion Share, represents:

- (a) a premium of approximately 573.08% to the closing price of HK\$0.0520 per share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 464.52% to the closing price of HK\$0.0620 per share as quoted on the Stock Exchange on the date of the Amendment Deeds;
- (c) a premium of approximately 503.45% to the average of closing price of HK\$0.0580 per share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Amendment Deeds;
- (d) a premium of approximately 522.78% to the average of closing price of HK\$0.0562 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Amendment Deeds.

Pursuant to the principal terms of the Convertible Bonds, the Company or any of its subsidiaries may at any time prior to the maturity date repurchase the Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the holder(s) of the Convertible Bonds. It is not stipulated in the instruments of the Convertible Bonds in respect of the basis or the mechanism regarding determination of the repurchase price between the Company or its relevant subsidiary and holder(s) of the

---

## LETTER FROM THE BOARD

---

Convertible Bonds. The Company will only repurchase the Convertible Bonds if (i) the repurchase price of the Convertible Bonds equals the face value of the Convertible Bonds; (ii) the Company has sufficient internal financial resources to repurchase the Convertible Bonds and (iii) such repurchase is in the interests of the Company and the Shareholders as a whole.

### REASONS AND BENEFITS FOR THE ALTERATION

The Company is an investment holding company. The principal activity of the Group is provision of short-term financing services in the PRC and Hong Kong.

The 2014 Convertible Bonds and the 2015 Convertible Bonds would mature on 24 June 2019 and 5 February 2020, respectively, unless further extended. However, according to the interim report of the Group for the six months ended 30 June 2018, the unaudited cash and cash equivalents of the Group amounted to approximately HK\$121,704,000 and the Group recorded net liabilities as at 30 June 2018, which means the Group would not have sufficient cash to redeem the outstanding 2014 Existing Convertible Bonds in the principal amount of HK\$378.2 million and the outstanding 2015 Existing Convertible Bonds in the principal amount of HK\$194 million at their respective original maturity dates, unless the Group could secure a substantial cash inflow during the period between the Latest Practicable Date and the original maturity dates of the Convertible Bonds. If the Company has to redeem the Convertible Bonds at the original maturity dates, the Group would face severe liquidity and cash flow problems, which would pose a significant impact on the operations and future development of the Group. Also, the Company has not conducted any fund-raising activity on any issue of equity securities in the 12 months immediately preceding the announcement of the Amendment Deeds. After taking into account the required working capital of the Group for the coming twelve months (including but not limited to general and administrative costs, tax payable, funds required for the Group's short-term financing services business in the PRC and Hong Kong as well as payment of interest on the outstanding promissory note), as at the Latest Practicable Date the Board has the view that the Company would not have enough cash to redeem the Convertible Bonds in the next few months or within the forthcoming financial year. As such, the Alteration will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.

---

## LETTER FROM THE BOARD

---

The Alteration will also allow the Company to have more financial flexibility. As set out in the interim report of the Group for the six months ended 30 June 2018, the Group has been looking for opportunities to broaden and diversify its income stream so as to improve the overall operational performance of the Group and enhance the long-term benefits of the Shareholders. The Company considers that it is in the interests of the Company and its Independent Shareholders as a whole to utilise its resources, for development of its existing business and other business opportunities (should such opportunities arise) in order to maximise returns to its Shareholders. As such, the Alteration will allow the Group to have additional time to develop its business instead of repaying the Convertible Bonds within a relatively short period. As at the Latest Practicable Date, the Company had not yet identified any investment or acquisition target nor did the Group enter into any definitive agreement for such investment or acquisition.

The Company also has considered other financing alternatives to raise funds to repay the Convertible Bonds over the Alteration, including but not limited to, bank borrowing and equity financing. However, due to the unsatisfactory financial performance of the Group, it is difficult for the Group to obtain bank borrowings. Also unlike the interest-free Convertible Bonds, in respect of the debt financing, bank borrowing would incur further interest burden to the Group. In addition, in view of the recent low liquidity of the Shares of the Group as well as the volatile market condition, plus the unsatisfactory financial performance of the Group, the Board considers that the Company will likely to have difficulties in any equity financing such as placement of Shares or rights issue. Since the Convertible Bonds are non-interest bearing, they will not incur any interest burden for the Group for the next three years. As such, the Company considers that the Alteration is the most appropriate and cost-effective means to refinance the Convertible Bonds at the moment.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee, after taking into account the advice from the Independent Financial Adviser) considers that the terms and conditions of the Amendment Deeds are fair and reasonable and the Alteration is in the interests of the Company and the Shareholders as a whole.



---

## LETTER FROM THE BOARD

---

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds is as follows:

	<b>As at the</b>		<b>Immediately upon</b>	
	<b>Latest Practicable Date</b>		<b>full conversion of the</b>	
	<b>Convertible Bonds</b>		<b>(at the Conversion Price)</b>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Exuberant Global ( <i>Note 1</i> )	294,200,000	22.61	1,384,571,429	46.75
Time Prestige ( <i>Note 2</i> )	26,800,000	2.06	161,142,857	5.44
Bustling Capital ( <i>Note 3</i> )	67,000,000	5.15	402,857,142	13.60
Silver Palm ( <i>Note 4</i> )	71,428,571	5.49	71,428,571	2.41
Public Shareholders	841,689,485	64.69	941,689,485	31.80
<b>Total:</b>	<b>1,301,118,056</b>	<b>100.00</b>	<b>2,961,689,484</b>	<b>100.00</b>

*Notes:*

1. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 294,200,000 Shares held by Exuberant Global.
2. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 26,800,000 Shares held by Time Prestige. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interest in 67,000,000 Shares held by Bustling Capital.
3. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 67,000,000 Shares held by Bustling Capital. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 26,800,000 Shares held by Time Prestige.
4. Silver Palm is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm.

---

## LETTER FROM THE BOARD

---

### GEM LISTING RULES IMPLICATIONS

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the Latest Practicable Date, Time Prestige, Bustling Capital and Exuberant Global is interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a connected person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, the Amendment Deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has made an application for the approval of the Alteration.

### GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen, Albert has been established to give recommendation to the Independent Shareholders as to whether (i) the terms of the Amendment Deeds are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Amendment Deeds is in the interests of the Company and the Shareholders as a whole and the letter from the Independent Board Committee is set out on pages 42 of this circular. Amasse Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and the letter from Amasse Capital Limited is set out on pages 43 to 93 of this circular.

### SPECIFIC MANDATE

The 2014 Convertible Bonds and the 2015 Convertible Bonds will be issued under the Specific Mandate to be sought from the Shareholders at the SGM.

---

## LETTER FROM THE BOARD

---

### SGM AND VOTING

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Alteration.

As at the Latest Practicable Date, each of Time Prestige, Bustling Capital and Exuberant Global is interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively. Accordingly, Time Prestige, Bustling Capital and Exuberant Global, and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Deeds and the transactions contemplated thereunder to be proposed at the SGM.

None of the Directors has material interest in the Alternation or the Specific Mandate.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders or Directors are required to abstain from voting at the SGM in respect of the Amendment Deeds and the transactions contemplated thereunder.

A notice convening the SGM to be held at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong at 11:00 a.m. on 7 May 2019 is set out on pages SGM-1 to SGM-2 of this circular and a form of proxy for use at the SGM is enclosed. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 2 May 2019 to Tuesday, 7 May 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, all transfers, accompanied by the relevant certificates, must be lodged with the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 30 April 2019. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire.

---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 42 of this circular which contains its recommendation to the Independent Shareholders in relation to the Amendment Deeds and the transactions contemplated thereunder, and the letter from Amasse Capital Limited set out on pages 43 to 93 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) considers that the terms of the Amendment Deeds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Deeds, while not in the ordinary and usual course of business of the Group is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Amendment Deeds and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Capital Finance Holdings Limited**  
**Zhang Wei**  
*Chairman*

---

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

---



**Capital Finance Holdings Limited**  
**首都金融控股有限公司**

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8239)**

30 March 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
THE PROPOSED EXTENSION OF MATURITY DATE  
OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE**

We refer to the circular of the Company dated 30 March 2019 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders in connection with the Alteration. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Amasse Capital Limited as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Amasse Capital Limited as set out in its letter of advice, we consider that the Amendment Deeds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Deeds, while not in the ordinary and usual course of business of the Group is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Amendment Deeds and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Chen Yihua**  
*Independent*  
*non-executive Director*

**Mr. Du Hui**  
*Independent*  
*non-executive Director*

**Dr. Wong Wing Kuen,**  
**Albert**  
*Independent*  
*non-executive Director*

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

*Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Amendment Deeds and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.*

### **AMASSE CAPITAL**

寶 積 資 本

30 March 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

#### **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deeds and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular of the Company dated 30 March 2019 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 20 February 2019 (the “**Announcement**”) regarding the connected transaction in relation to the proposed extension of maturity date of the Existing 2014 Convertible Bonds and the Existing 2015 Convertible Bonds (collectively, the “**Existing Convertible Bonds**”). On 20 February 2019 (after trading hours of the Stock Exchange), the Company executed the Amendment Deeds, to extend the maturity date of the Existing 2014 Convertible Bonds by 3 years from 24 June 2019 to 24 June 2022, and the Existing 2015 Convertible Bonds by 3 years from 5 February 2020 to 5 February 2023 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the Existing Convertible Bonds shall remain unchanged.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to give recommendations to the Independent Shareholders on the Amendment Deeds and the transactions contemplated thereunder. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

### GEM LISTING RULES IMPLICATIONS

Time Prestige is wholly beneficially owned by Mr. Dai Hao. Bustling Capital is wholly beneficially owned by Ms. Jin Yu, the spouse of Mr. Dai Hao. Exuberant Global is wholly beneficially owned by Mr. Dai Di, the brother of Mr. Dai Hao. As at the Latest Practicable Date, each of Time Prestige, Bustling Capital and Exuberant Global was interested in 26,800,000 Shares, 67,000,000 Shares, and 294,200,000 Shares, respectively, representing approximately 2.06%, 5.15%, and 22.61% of the existing issued share capital of the Company, respectively. Exuberant Global is a connected person of the Company and each of Time Prestige, Bustling Capital is an associate of Exuberant Global. Therefore, the Amendment Deeds and transactions contemplated thereunder are considered to be connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Bondholders and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Deeds and the transactions contemplated thereunder to be proposed at the SGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current 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.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, the circular of the Company dated 30 May 2014, the announcements of the Company dated 25 June 2014 and 4 February 2015, the Announcement, the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and 31 December 2017 (the “**2017 Annual Report**”), and the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”). We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made 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. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Alteration. 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 the Rule 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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 by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Alteration or their respective



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Alteration. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, 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. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

#### 1. Background Information

##### *(a) Information of the Group*

The Company is an investment holding company. The principal activity of the Group is provision of short-term financing services in the PRC and Hong Kong.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Set out below is a summary of the financial information of the Group as extracted from the 2017 Annual Report, the 2016 Annual Report and the 2018 Interim Report, details of which are as follows:

	For the year ended 31 December		For the nine months ended 31 December		For the six months ended 30 June	
	2017	2016	2015 <sup>(Note 1)</sup>		2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
			<i>(Restated)</i>			
Revenue from continuing operations	74,833	111,927	103,395	Revenue	37,115	34,349
(Loss)/Profit attributable to owners of the Company	(14,735)	(254,406)	19,000	Profit/(Loss) attributable to owners of the Company	896	(8,821)

*Note:*

1. The financial year end date of the Company was changed from 31 March to 31 December starting from the financial year 2015. It should be noted that the 2015 financial information presented above which covered the financial period of nine months from 1 April 2015 to 31 December 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.
2. According to the 2016 Annual Report, the revenue figures for the year ended 31 December 2016 and nine months ended 31 December 2015 have been re-presented as if the coal trading business segment, property investment business segment and development and sales of software segment had been discontinued during the nine months ended 31 December 2015 and year ended 31 December 2016 respectively, the earliest period presented.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

	<b>As at 30 June 2018</b>	<b>As at 31 December 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets	584,947	610,798
Total Liabilities	602,067	570,691
Net (liabilities)/assets	(17,120)	40,107

### *Financial performance for the six months ended 30 June 2018*

For the six months ended 30 June 2018, the Group recorded revenue from continuing operations of approximately HK\$37.1 million, representing an increase of 8.16% as compared to that of approximately HK\$34.3 million for the six months ended 30 June 2017. Such increase was mainly due to appreciation of exchange rate of RMB against HKD.

Profit attributable to the owners of the Company for the six months ended 30 June 2018 was approximately HK\$0.9 million as compared to the loss attributable to the owners of the Company of approximately HK\$8.8 million for the corresponding period in 2017. The turnaround from loss to profit attributable to the owners of the Company was mainly due to write back of the allowance for expected credit losses on loans to customers of approximately HK\$13.7 million being recognised during the interim period upon the first-time adoption of Hong Kong Financial Reporting Standards 9 Financial Instruments by the Company.

### *Financial performance for the year ended 31 December 2017*

For the year ended 31 December 2017, the Group recorded revenue from continuing operations of approximately HK\$74.8 million, representing a decrease of 33.15% as compared to that of approximately HK\$111.9 million for the year ended 31 December 2016. Such decrease was mainly due to the significant decrease in income from the financial consultancy business and a moderate decrease in interest income from loans made to customers regarding the unfavorable market environment and the slowdown in economic growth in the Mainland China.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Loss attributable to the owners of the Company was approximately HK\$14.7 million for the year ended 31 December 2017, representing a decrease of 94.22% as compared to that of approximately HK\$254.4 million for the corresponding period in 2016. The decrease was mainly attributable to no non-cash impairment losses on goodwill and intangible assets in relation to the short-term financing cash generating unit was recorded for the year ended 31 December 2017, while impairment losses of approximately HK\$151.7 million and HK\$149.0 million (after deferred tax liabilities of approximately HK\$37.3 million) on goodwill and intangible assets relating to the short-term financing cash generating unit respectively was recorded for the year ended 31 December 2016).

### *Financial performance for the year ended 31 December 2016*

For the year ended 31 December 2016, the Group recorded revenue from continuing operations of approximately HK\$111.9 million, representing an increase of 8.22% as compared to that of approximately HK\$103.4 million for the nine months ended 31 December 2015. Such increase was mainly due to change in financial year ended date of the Company from 31 March to 31 December starting from the financial year 2015, hence, 2015 financial information only covered the financial period of nine months.

Loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK\$254.4 million while the profit attributable to the owners of the Company for the nine months ended 31 December 2015 was approximately HK\$19.0 million. The decrease was mainly attributable to the effect of non-cash impairment losses on goodwill and intangible assets, which amounted to approximately HK\$151.7 million and HK\$149.0 million respectively (nine months ended 31 December 2015: Nil) in relation to the short-term financing services cash generating unit.

### *Financial position as at 30 June 2018*

The total assets of the Group were approximately HK\$584.9 million as at 30 June 2018, representing a decrease of 4.24% as compared to that of approximately HK\$610.8 million as at 31 December 2017.

The total liabilities of the Group were approximately HK\$602.1 million as at 30 June 2018, representing an increase of 5.50% as compared to that of approximately HK\$570.7 million as at 31 December 2017.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

The net liabilities of the Group was approximately HK\$17.1 million as at 30 June 2018, as compared to the net assets of approximately HK\$40.1 million as at 31 December 2017.

### 2. Background and Reasons for the Alteration

With reference to the letter from the Board contained in the Circular, on 23 December 2013, the Company and each of Exuberant Global, Bustling Capital and Time Prestige entered into the Acquisition Agreement, pursuant to which each of Exuberant Global, Bustling Capital and Time Prestige agreed to subscribe for, and the Company agreed to issue, the convertible bonds in the principal amount of HK\$255,630,000, HK\$117,550,000 and HK\$47,020,000, respectively. Completion of the Acquisition Agreement took place on 25 June 2014 and the Existing 2014 Convertible Bonds were issued to each of Exuberant Global, Bustling Capital and Time Prestige.

In addition, as disclosed in the circular of the Company dated 30 May 2014 and the announcement of the Company dated 4 February 2015, Exuberant Global Limited agreed to subscribe for, and the Company agreed to issue, the Existing 2015 Convertible Bonds in the principal amount of HK\$236,000,000 as settlement of the Earn-out Consideration pursuant to the Acquisition Agreement.

According to the terms of the Convertible Bonds, unless previously converted, the Company shall pay 105% of the outstanding principal amount under the Convertible Bonds to the holder(s) of the Convertible Bonds on the maturity date of the Convertible Bonds.

As at the Latest Practicable Date, the Existing Convertible Bonds in the aggregate principal amount of HK\$581,200,000 remain outstanding as follows:

- a. Time Prestige holds an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$47,020,000 maturing on 24 June 2019;
- b. Bustling Capital holds an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$117,550,000 maturing on 24 June 2019;
- c. Choice Magic Limited holds an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;
- d. Ultimate One Limited holds an Existing 2014 Convertible Bond in the outstanding principal amount of HK\$10,000,000 maturing on 24 June 2019;

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- e. Exuberant Global holds an Existing 2014 Convertible Bond and an Existing 2015 Convertible Bond in the outstanding principal amount of HK\$202,630,000 and HK\$179,000,000 maturing on 24 June 2019 and 5 February 2020, respectively; and
- f. Genius Ideal Limited holds an Existing 2015 Convertible Bond in the outstanding principal amount of HK\$15,000,000 maturing on 5 February 2020.

For further details of the background of the Existing Convertible Bonds, please refer to the letter from the Board, the Circular and the said announcements.

### *Financial position of the Group*

According to the 2018 Interim Report, as at 30 June 2018, the Group has recorded net liabilities of approximately HK\$17.1 million and cash and cash equivalents of approximately HK\$121.7 million which is approximately 4.8 times lesser than the aggregate principal amount of the outstanding Existing Convertible Bonds. Meanwhile, the Group recorded a net loss of HK\$12.4 million and HK\$251.8 million for the year ended 31 December 2017 and 2016 respectively. Given that the Group is in loss for the year ended 31 December 2016 and 2017 with net liabilities as at 30 June 2018, in order to maintain the sufficient level of liquidity and financial flexibility, the Management is of the view that the Company may not have enough cash to redeem the Existing Convertible Bonds at the respective original maturity date under the latest financial performance and financial position.

### *Other financing alternative*

As discussed with the Management, we understand that the Board has considered other alternative means of fund raising before executing the Amendment Deeds, including but not limited to, bank borrowings and equity financing. However, debt financing may subject to lengthy due diligence and negotiations with banks and, unlike the interest-free Convertible Bonds, would also incur further interest burden to the Group. Meanwhile, in view of the unsatisfactory financial performance of the Group aforementioned, particularly the net loss of the Group and the net liabilities position of the Group for the recent financial years/periods, the Board considers that the Company will likely to have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Upon alteration, the maturity date of the Existing 2014 Convertible Bonds will be extended by 3 years from 24 June 2019 to 24 June 2022, and the Existing 2015 Convertible Bonds will be extended by 3 years from 5 February 2020 to 5 February 2023. The extensions of the maturity dates of the Existing Convertible Bonds can relieve the imminent need of the Company to repay the Existing Convertible Bonds, which in turn, enable the Company to retain cash flow and liquidity of the Group and have more financial flexibility to have additional time to develop its business instead of repaying the Existing Convertible Bonds within a relatively short period. Considering that (i) the Convertible Bonds are interest-free; (ii) the Company does not have enough cash to settle the outstanding Existing Convertible Bonds at the maturity dates; (iii) the financial position of the Group was in deficit with a net liabilities position; and (iv) the Company will likely to have difficulties in (a) obtaining bank borrowing; or (b) procuring placing agent for placing of new Shares and/or underwriters for rights issue or open offer of the Company as aforementioned, we concur with the Management that the Alteration is the most appropriate financing alternative at the moment.

### 3. The Amendment Deeds

Pursuant to the Amendment Deeds, the maturity date of the Existing 2014 Convertible Bonds shall be extended by 3 years from 24 June 2019 to 24 June 2022, and the Existing 2015 Convertible Bonds shall be extended by 3 years from 5 February 2020 to 5 February 2023 upon all the conditions precedent under the Amendment Deeds fulfilled. As advised by the Management, the Alteration was arrived at after arm's length negotiations between the Company, the Bondholders and the Board. Save for the Alteration aforementioned, all other terms and conditions of the Existing Convertible Bonds shall remain unchanged.

Further details of the Amendment Deeds are set out under the section headed "THE AMENDMENT DEEDS" of the letter from the Board contained in the Circular.

The principal terms of the Convertible Bonds after the Amendment Deeds become effective are as follows:

#### ***2014 Convertible Bonds***

Issuer: the Company

Outstanding principal amount: HK\$387,200,000

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Interest:	non-interest bearing
Maturity:	24 June 2022
Security:	unsecured
Conversion right:	the 2014 Bondholders shall have the right to convert the whole or a part (in multiples of HK\$1,000,000) of the outstanding principal amount of the 2014 Convertible Bonds into the 2014 Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit (as defined in the Previous Circular) and up to the seventh day prior to the maturity date of the 2014 Convertible Bonds.
Conversion restriction:	the 2014 Bondholders shall not have the right to convert the 2014 Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the 2014 Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the 2014 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.
Conversion Price:	HK\$0.35 per 2014 Conversion Share (subject to anti-dilutive adjustments).
Provision of adjustment to the Conversion Price:	The Conversion Price will be adjusted upon the occurrence of the following events:



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (a) if and whenever there is an alternation of the number of issued Shares by reason of any consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alternation by the following fraction:

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

where:

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

B = the number of Shares in issue immediately after such alternation.

Such adjustment shall become effective from the close of business in Hong Kong on the business day immediately preceding the date on which the alternation takes effect.

- (b) if and whenever the Company shall issue any Shares (excluding Shares paid up out of profits or reserves and issued in whole or in part of a cash dividend) credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

---

**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

---

$$\frac{C}{D}$$

where:

C = the number of Shares in issue immediately before such issue; and

D = the number of Shares in issue immediately after such issue.

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

- (c) if and whenever the Company shall grant rights to Shareholder to acquire any cash assets of the Company or any subsidiaries of the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such grant of rights by the following fraction:

$$\frac{E-F}{E}$$

where:

E = the market price on the date on which the grant is publicly announced or (failing any such announcement) the date immediately preceding the date of such grant; and

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of such rights which is attributable to one Share.

Provided that:

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

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

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (d) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or grant the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such issue or grant by the following fraction:

$$\frac{G + \frac{H \times I}{J}}{G + H}$$

where:

- G = the number of Shares in issue immediately before the date of such announcement;
- H = the aggregate number of Shares so offered or granted for subscription;
- I = the sum of the amount (if any) payable for the right, option or warrant to subscribe for each new Share and the subscription price payable for each new Share; and
- J = the market price of one Share on the trading day immediately prior to such announcement.

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

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (e) (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription right conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on a business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (ii) if and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in sub-paragraph (e)(i) above are modified so that the total Effective Consideration per Share (as defined below) initially received for such securities shall be (1) reduced and (2) less than 80% of the market price at the date of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Such adjustment shall become effective (if appropriate retrospectively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take into account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (f) if and whenever the Company shall issue wholly for cash any Shares (excluding the circumstances as described under sub-paragraphs (d) and (e)) at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

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

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

- (g) if and whenever the Company shall issue Shares for the acquisition of assets at a total Effective Consideration (as defined below) which is less than 80% of the market price (as defined below) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved investment bank. Such adjustment shall become effective on the date of issue. For the purpose of this sub-paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Share by the Company on acquisition of the relevant



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

asset without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

- (h) if and whenever the Company shall make any capital distribution to the Shareholders (whether on a reduction of capital or otherwise) or shall grant rights to Shareholders to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E-F}{E}$$

where:

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

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of the capital distribution or of such rights which is attributable to one Share.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Provided that:

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

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

- (i) if the Company or the holders of the Convertible Bonds determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in the sub-paragraphs (a) to (h) above) (even if the relevant event or circumstance is specifically excluded in the sub-paragraphs (a) to (h) above), the Company or the holders of the Convertible Bonds may, at their own expense, request the investment bank as approved by the

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Company and holder(s) of the Convertible Bonds, acting as an expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the approved investment bank considers in good faith to reflect the intentions of this provision; and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (i) if the approved investment bank is so requested to make such a determination.

Ranking:

the 2014 Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.

Transferability:

subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the 2014 Convertible Bonds may be transferred or assigned by the 2014 Bondholder(s) in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the 2014 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2014 Convertible Bonds) without the prior consent of the Company.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- Redemption: unless previously converted, the Company shall pay 105% of the outstanding principal amount under the 2014 Convertible Bonds to the 2014 Bondholder(s) on the maturity date of the 2014 Convertible Bonds.
- Repurchase: the Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2014 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the 2014 Bondholder(s). The 2014 Convertible Bonds repurchased will be cancelled forthwith.
- Voting rights: the 2014 Convertible Bonds shall not carry any voting rights.
- Listing: no application will be made by the Company for the listing of the 2014 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the 2014 Conversion Shares.
- Event of default: upon the occurrence of any of the following events of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the 2014 Bondholder(s) at a meeting of the 2014 Bondholder(s) or a written resolution signed by the 2014 Bondholder(s) which amounts to three-fourths of the then outstanding principal amounts of the 2014 Convertible Bonds, the 2014 Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%:

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (a) except when the general offer or partial offer made to the Shareholders becomes unconditional, the Shares:
  - (i) are delisted from the Stock Exchange; or
  - (ii) are suspended for trading on the Stock Exchange for consecutive fifteen(15) trading days due to the defaults by the Company or any of its Directors, officers, employees or agents; or
- (b) default in performance or observance or compliance with any of its material obligations contained in the 2014 Convertible Bonds (except the covenants in relation to the payment of the principal of the 2014 Convertible Bonds and the issuance of 2014 Conversion Shares), and such default is not remedied within fifteen (15) business days after the service of a notice requesting remedial actions for such default given by the 2014 Bondholders holding, or in aggregate holding at least 51% of the outstanding principal of the 2014 Convertible Bonds to the Company; or
- (c) default in the payment of principal at maturity by the Company; or

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (d) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the 2014 Convertible Bonds or would otherwise result in any material terms contained in the 2014 Convertible Bonds be or becoming unenforceable, or would otherwise render the 2014 Convertible Bonds inadmissible as evidence in court; or
  
- (e) (i) any present or future material indebtedness of the Company becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or (ii) any indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company fails to pay when due any amount payable by it under any present or future guarantee or indemnity provided that the incurred liability, guarantee or indemnity by one or more events as referred in this clause, shall be equal to or exceed HK\$ 8,000,000 or the equivalent amount of any other currencies; or

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (f) an encumbrancer takes possession of the whole or any substantial part of the undertaking, property, assets or revenues of the Company (whether such possession is effected by seizure of goods, enforcement of judgements, seizure before or after judgements or by other proceedings), or a receiver is appointed, and such possession or appointment is not released or revoked within sixty (60) business days; or
  
- (g) the Company becomes insolvent or unable to pay its debts as they become due, or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or
  
- (h) an order is made or an effective resolution is passed for the winding-up of the Company; or

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (i) a moratorium is agreed or declared in respect of any indebtedness of the Company, or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (j) any events which would lead to similar results as of any above events of default.

Interest shall be chargeable on any amount outstanding from the 2014 Convertible Bonds from the date of the event of default until the actual date of payment.

### *2015 Convertible Bonds*

Issuer:	the Company
Outstanding principal amount:	HK\$194,000,000
Interest:	non-interest bearing
Maturity:	5 February 2023
Security:	unsecured
Conversion right:	the 2015 Bondholder(s) shall have the right to convert the whole or a part (in multiples of HK\$1,000,000) of the outstanding principal amount of the 2015 Convertible Bonds into the 2015 Conversion Shares at any time from the seventh day after the date of issue of the auditors' certificate in relation to the 2013 Actual Profit (as defined in the Previous Circular) and up to the seventh day prior to the maturity date of the 2015 Convertible Bonds.



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Conversion restriction: The 2015 Bondholder(s) shall not have the right to convert the 2015 Convertible Bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the Shares as required under the GEM Listing Rules; or (ii) the holder of the 2015 Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the 2015 Convertible Bonds would be obliged to make a general offer under the Takeovers Code.

Conversion Price: HK\$0.35 per 2015 Conversion Share (subject to anti-dilutive adjustments).

Provision of adjustment to the Conversion Price: the Conversion Price will be adjusted upon the occurrence of the following events:

- (a) if and whenever there is an alternation of the number of issued Shares by reason of any consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alternation by the following fraction:

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

where:

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

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

B = the number of Shares in issue immediately after such alternation.

Such adjustment shall become effective from the close of business in Hong Kong on the business day immediately preceding the date on which the alternation takes effect.

- (b) if and whenever the Company shall issue any Shares (excluding Shares paid up out of profits or reserves and issued in lie in whole or in part of a cash dividend) credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{C}{D}$$

where:

C = the number of Shares in issue immediately before such issue; and

D = the number of Shares in issue immediately after such issue.

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

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (c) if and whenever the Company shall grant rights to Shareholder to acquire any cash assets of the Company or any subsidiaries of the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such grant of rights by the following fraction:

$$\frac{E-F}{E}$$

where:

E = the market price on the date on which the grant is publicly announced or (failing any such announcement) the date immediately preceding the date of such grant; and

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of such rights which is attributable to one Share.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Provided that:

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

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

- (d) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or grant the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such issue or grant by the following fraction:

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

$$\frac{G + \frac{H \times I}{J}}{G + H}$$

where:

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

H = the aggregate number of Shares so offered or granted for subscription;

I = the sum of the amount (if any) payable for the right, option or warrant to subscribe for each new Share and the subscription price payable for each new Share; and

J = the market price of one Share on the trading day immediately prior to such announcement.

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

- (e) (i) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

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

where:

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

B = the number of Shares which the total Effective Consideration for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription right conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on a business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (ii) if and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in sub-paragraph (e)(i) above are modified so that the total Effective Consideration per Share (as defined below) initially received for such securities shall be (1) reduced and (2) less than 80% of the market price at the date of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

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

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Such adjustment shall become effective (if appropriate retrospectively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take into account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (f) if and whenever the Company shall issue wholly for cash any Shares (excluding the circumstances as described under sub-paragraphs (d) and (e)) at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

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

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (g) if and whenever the Company shall issue Shares for the acquisition of assets at a total Effective Consideration (as defined below) which is less than 80% of the market price (as defined below) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved investment bank. Such adjustment shall become effective on the date of issue. For the purpose of this sub-paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Share by the Company on acquisition of the relevant asset without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.
- (h) if and whenever the Company shall make any capital distribution to the Shareholders (whether on a reduction of capital or otherwise) or shall grant rights to Shareholders to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

$\frac{E-F}{E}$

E

where:

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

F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by an approved investment bank of the portion of the capital distribution or of such rights which is attributable to one Share.

Provided that:

- (i) if in the opinion of the relevant approved investment bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if F meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (ii) the provisions of this sub-paragraph (h) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

- (i) if the Company or the holders of the Convertible Bonds determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in the sub-paragraphs (a) to (h) above) (even if the relevant event or circumstance is specifically excluded in the sub-paragraphs (a) to (h) above), the Company or the holders of the Convertible Bonds may, at their own expense, request the investment bank as approved by the Company and holder(s) of the Convertible Bonds, acting as an expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the approved investment bank considers in good faith to reflect the intensions of this provision; and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (i) if the approved investment bank is so requested to make such a determination.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- Ranking: the 2015 Conversion Shares, when allotted and issued, shall rank pari passu in all respects with all other existing Shares in issue on the date of the conversion notice and shall be entitled to all dividends, other distributions, interests and entitlements.
- Transferability: subject to the compliance with the GEM Listing Rules and other applicable laws and regulations, the 2015 Convertible Bonds may be transferred or assigned by the 2015 Bondholder(s) in whole or in part in multiples of HK\$1,000,000 to any party provided that no transfer or assignment of the 2015 Convertible Bonds shall be made to any connected person of the Company (save and except for the associates of the holder(s) of the 2015 Convertible Bonds) without the prior consent of the Company.
- Redemption: unless previously converted, the Company shall pay 105% of the outstanding principal amount under the 2015 Convertible Bonds to the 2015 Bondholder(s) on the maturity date of the 2015 Convertible Bonds.
- Repurchase: the Company or any of its subsidiaries may at any time prior to the maturity date repurchase the 2015 Convertible Bonds at any price as mutually agreed between the Company or its relevant subsidiary and the 2015 Bondholder(s). The 2015 Convertible Bonds repurchased will be cancelled forthwith.
- Voting rights: the 2015 Convertible Bonds shall not carry any voting rights.
- Listing: no application will be made by the Company for the listing of the 2015 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the 2015 Conversion Shares.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

Event of default:

upon the occurrence of any of the following events of default, subject to a special resolution passed by a majority of not less than three-fourths of votes cast by the 2015 Bondholder(s) at a meeting of the 2015 Bondholder(s) or a written resolution signed by the 2015 Bondholder(s) which amounts to three-fourths of the then outstanding principal amounts of the 2015 Convertible Bonds, the 2015 Convertible Bonds shall become immediately repayable at a redemption premium calculated with reference to an annual rate of return of 6%:

- (a) except when the general offer or partial offer made to the Shareholders becomes unconditional, the Shares:
  - (i) are delisted from the Stock Exchange; or
  - (ii) are suspended for trading on the Stock Exchange for consecutive fifteen(15) trading days due to the defaults by the Company or any of its Directors, officers, employees or agents; or

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (b) default in performance or observance or compliance with any of its material obligations contained in the 2015 Convertible Bonds (except the covenants in relation to the payment of the principal of the 2015 Convertible Bonds and the issuance of 2015 Conversion Shares), and such default is not remedied within fifteen (15) business days after the service of a notice requesting remedial actions for such default given by the 2015 Bondholders holding, or in aggregate holding at least 51% of the outstanding principal of the 2015 Convertible Bonds to the Company; or
- (c) default in the payment of principal at maturity by the Company; or
- (d) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the 2015 Convertible Bonds or would otherwise result in any material terms contained in the 2015 Convertible Bonds be or becoming unenforceable, or would otherwise render the 2015 Convertible Bonds inadmissible as evidence in court; or

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (e) (i) any present or future material indebtedness of the Company becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or (ii) any indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company fails to pay when due any amount payable by it under any present or future guarantee or indemnity provided that the incurred liability, guarantee or indemnity by one or more events as referred in this clause, shall be equal to or exceed HK\$ 8,000,000 or the equivalent amount of any other currencies; or
  
- (f) an encumbrancer takes possession of the whole or any substantial part of the undertaking, property, assets or revenues of the Company (whether such possession is effected by seizure of goods, enforcement of judgements, seizure before or after judgements or by other proceedings), or a receiver is appointed, and such possession or appointment is not released or revoked within sixty (60) business days; or



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

- (g) the Company becomes insolvent or unable to pay its debts as they become due, or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or
- (h) an order is made or an effective resolution is passed for the winding-up of the Company; or
- (i) a moratorium is agreed or declared in respect of any indebtedness of the Company, or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (j) any events which would lead to similar results as of any above events of default.

Interest shall be chargeable on any amount outstanding from the 2015 Convertible Bonds from the date of the event of default until the actual date of payment.

Save for the Alteration aforementioned, all other terms and conditions of the 2014 Convertible Bonds and 2015 Convertible Bonds shall remain unchanged.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

### *The Conversion Price*

The conversion price of HK\$0.35 per Conversion Share (the “**Conversion Price**”) of the 2014 Convertible Bonds and 2015 Convertible Bonds represents:

- (i) a premium of approximately 573.08% to the closing price of the Shares of HK\$0.0520 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 464.52% to the closing price of the Shares of HK\$0.0620 as quoted on the Stock Exchange on the date of the Amendment Deeds; and
- (iii) a premium of approximately 503.45% to the closing price of the Shares of HK\$0.0580 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Amendment Deeds.

### Comparison of Conversion Price with historical Share prices

We have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 21 February 2018 up to the date of the Amendment Deeds (the “**Review Period**”), which covers an approximate one-year period prior to the date of the Amendment Deeds, to illustrate the general trend and level of movement of the closing prices of the Shares.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

The comparison of the closing prices of the Shares during the Review Period and the Conversion Price is illustrated in the following chart:



Source: the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk))

The closing prices of the Shares ranged from HK\$0.111 to HK\$0.045 with an average of HK\$0.075 over the Review Period. The Conversion Price of HK\$0.35 represents a premium of approximately 366.67% over the average closing price of the Shares and remained above the closing prices of the Shares during the Review Period. Considering (i) the downward trend of the closing price; (ii) a premium of approximately 366.67% over the average closing price (iii) the Conversion Price is above the closing prices of the Shares over the Review Period, we consider the Conversion Price of the Convertible Bonds to be fair and reasonable.

### *Comparable transactions analysis*

In assessing the fairness and reasonableness of the terms of the Convertible Bonds, we have attempted to research from publicly available information for comparable transactions regarding (i) the subscription/placing of convertible bonds/notes under specific mandate; and (ii) extension of maturity date of convertible bonds/notes announced by companies listed on the Stock Exchange from 21 December 2018 and up to the date of the Amendment Deeds (being around 3 months period prior to the date of the Amendment Deeds) (the “**Comparables**”), which in our view represents a sufficient period of time to reflect the prevailing market conditions and has covered sufficient number of samples such that the average figures calculated are representative and not significantly affected by any individual comparable. To

---

**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

---

the best of our knowledge and endeavour, we have found 10 transactions which met the said criteria and they are exhaustive as far as we are aware of. Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, the Comparables are only used to provide a general reference for the recent market practice. Set out below are the details of the Comparables:

Date of announcement	Company name (Stock code)	Interest rate (% per annum)	Term to maturity (years)	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement (%)
18/2/2019	Asia Investment Finance Group Limited (33)	5.00	1 <sup>(1)</sup>	95.00
4/2/2019	Sinco Pharmaceuticals Holdings Limited (6833)	6.00	1.5	22.00
25/1/2019	i-CABLE Communications Limited (1097)	2.00	10	8.70
24/1/2019	ShiFang Holding Limited (1831)	3.00	3	9.09
18/1/2019	Sino Energy International Holdings Group Limited (1096)	7.50	0.5 <sup>(1,2)</sup>	100.00
11/1/2019	TUS International Limited (872)	Nil	6	(14.31)
31/12/2018	China Ruifeng Renewable Energy Holdings Limited (527)	8.00	2	(13.00)
21/12/2018	Hospital Corporation of China Limited (3869)	6.00	5	13.12
18/12/2018	Shougang Concord Century Holdings Limited (103)	4.00	3	83.33
21/11/2018	Carnival Group International Holdings Limited (996)	8.00	2	57.48
	Maximum	8.00	10	100.00
	Minimum	Nil	0.5	(14.31)
	Average	4.95	3.4	36.14
	The Convertible Bonds	Nil	3	464.52

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

*Source: the website of the Stock Exchange*

*Note:*

1. The term to maturity of the convertible bonds/notes is calculated based on the period from the original maturity date of the convertible bonds/notes to the extended maturity date.
2. The convertible bonds shall have an extended term (the “**Extension Period**”) commencing from (and including) the maturity date and expiring on the date falling on the sixth (6th) months from the maturity date (the “**First Extended Maturity Date**”).

If the company fails to redeem the convertible bonds on the First Extended Maturity Date, the subscriber of the convertible bonds may, at its sole discretion, allow the company to further redeem the convertible bonds within a term commencing from (and including) the First Extended Maturity Date and expiring on the date falling on the sixth (6th) months from the First Extended Maturity Date.

For our analysis purpose, we assumed that the convertible bonds will not further extend to the sixth (6th) months from the First Extended Maturity Date.

**(a) Conversion price**

The conversion prices of the Comparables ranged from discount of approximately 14.31% to a premium of 100% with an average of a premium of approximately 36.14% over the closing price on the last trading day prior to/on the date of the announcement of their respective shares. The Conversion Price of HK\$0.35 of the Convertible Bonds, represents a premium of approximately 464.52% over the closing price of the Shares on the date of the Amendment Deeds, is above the upper end of the range and average of the Comparables. Therefore, we consider that the Conversion Price of the Convertible Bonds is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

**(b) Interest rate**

The interest rates of the Comparables ranged from nil to 8.00% with an average interest rate of approximately 4.95%. The Convertible Bonds, which are interest-free, falls within the range and is the lower bound of the Comparables. It is in the interests of the Company and the Shareholders as a whole and in line with the market practice, we consider the interest rate of the Convertible Bonds is fair and reasonable.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

*(c) Term to maturity*

The terms to maturity of the Comparables ranged from 0.5 to 10 years with an average years of 3.4. The three years extension of the Convertible Bonds is in line with the aforementioned Comparables, we consider the maturity of the Convertible Bonds to be fair and reasonable.

In view of the above, we are of the view that the principal terms of the Convertible Bonds including the Conversion Price, the interest and the term to maturity of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Financial Effects on the Alteration**

*(a) Effect on liquidity*

As stated in the 2018 Interim Report, as at 30 June 2018, the Group has recorded net liabilities of approximately HK\$17.1 million and cash and cash equivalents of approximately HK\$121.7 million which is approximately 4.8 times lesser than the aggregate principal amount of the outstanding Existing Convertible Bonds. The Alteration pursuant to the Amendment Deeds would allow the Group to delay cash outflow of redemption of the Existing Convertible Bonds held by the Bondholders. Having considered the principal amount of the outstanding Existing Convertible Bonds of approximately HK\$581.2 million represents approximately 4.8 times of the cash and cash equivalents of the Group of approximately HK\$121.7 million as at 30 June 2018, we are of the view that the Alteration will alleviate the liquidity and working capital pressure of the Group to be triggered by the repayment of the Existing Convertible Bonds due on their original maturity dates.

*(b) Effect on earnings*

As the Convertible Bonds are remained interest-free under the Amendment Deeds, the Company will not be required to pay any interest to the Bondholders. According to applicable accounting standard, a non-cash imputed finance cost and fair value changes on derivative components of the Convertible Bonds may be recorded in the consolidated statement of profit or loss and other comprehensive income during the extended period depending on the result of re-measurement of the fair value of the Convertible Bonds. In such case, financial effect on earnings would be similar to that in previous financial years.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

*(c) Effect on net assets*

As advised by the Management, subject to the restriction under the terms of the Convertible Bonds, it is expected that the net asset value of the Group will increase upon conversion of the Convertible Bonds by the Bondholders into Conversion Shares as a result of the decrease in liabilities.

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 Alteration.

### RECOMMENDATION

Having considered the principal factors and reasons as stated above, in particular:

- (i) the Group is in deficit financial position and may not have enough cash to redeem the Existing Convertible Bonds at the respective original maturity date under the latest financial performance and financial position;
- (ii) it is difficult for the Group to conduct any debt or equity financing activities with better terms given the reasons stated hereinabove;
- (iii) the Conversion Price represents a premium of approximately 366.67% over the average closing price of the Shares and remained above the closing prices of the Shares during the Review Period;
- (iv) the Conversion Price represents a premium of approximately 464.52% over the closing price of the Shares on the date of the Amendment Deeds and is above the upper end of the range and average of the Comparables; and
- (v) the Convertible Bonds are interest-free,

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

we consider that the terms of the Amendment Deeds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Deeds is not in the ordinary and usual course of business of the Group but is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Amendment Deeds and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**May Tsang**  
*Director*

*Ms. May Tsang is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 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 GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, as follows:

### As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
<u>1,301,118,056</u>	Shares	<u>13,011,180.56</u>

Immediately following the full conversion of the Convertible Bonds

<i>Authorised:</i>		
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
<u>1,301,118,056</u>	Shares as at the Latest Practicable Date	<u>13,011,180.56</u>
1,660,571,428	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	16,605,714.28
<u>2,961,689,484</u>		<u>29,616,894.84</u>

**3. DISCLOSURE OF INTEREST****(a) Directors' and chief executive's interests in Shares, underlying Shares and debentures of the Company or any associated corporations**

As at the Latest Practicable Date, none of the Directors nor the chief executives of the Company and their associates had any interests in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the required standard of dealings by directors as set out in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of issued ordinary Share (Note 1)	Approximate percentage of issued share capital of the Company (Note 2)
Exuberant Global (Note 3)	Beneficial owner	294,200,000 (L)	22.61%
Mr. Dai Di (Note 3)	Interest of controlled corporation	294,200,000 (L)	22.61%
Time Prestige (Note 4)	Beneficial owner	26,800,000 (L)	2.06%
Mr. Dai Hao (Note 4)	Interest of controlled corporation	93,800,000 (L)	7.21%
Bustling Capital (Note 5)	Beneficial owner	67,000,000 (L)	5.15%
Ms. Jin Yu (Note 5)	Interest of controlled corporation	93,800,000 (L)	7.21%
Silver Palm (Note 6)	Beneficial owner	71,428,571 (L)	5.49%
Mr. Wang Jia Sheng (Note 6)	Interest of controlled corporation	71,428,571 (L)	5.49%

*Notes:*

- The letter "L" represents the long position in the ordinary shares of the Company.
- The percentage of issued share capital of the Company is calculated by reference to 1,301,118,056 shares in issue as at the Latest Practicable Date.
- Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 294,200,000 Shares held by Exuberant Global.

4. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 26,800,000 Shares held by Time Prestige. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 67,000,000 Shares held by Bustling Capital.
5. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 67,000,000 Shares held by Bustling Capital. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 26,800,000 Shares held by Time Prestige.
6. Silver Palm is wholly and beneficially owned by Mr. Wang Jia Sheng. Accordingly, Mr. Wang Jia Sheng is deemed to be interested in the 71,428,571 Shares held by Silver Palm.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had, or were deemed to have, interests or short position in the Shares or 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO.

#### 4. DIRECTORS' INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date:

- (i) none of the Directors had any interests, direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated 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; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

**6. MATERIAL ADVERSE CHANGE**

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

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**8. EXPERT'S QUALIFICATION AND CONSENT**

Set out below is the qualification of the expert who has given its letter of advice in this circular:

<b>Name</b>	<b>Qualification</b>
Amasse Capital Limited	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

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

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

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

## **9. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (i) the Amendment Deeds;
- (ii) the Acquisition Agreement;
- (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholder, the text of which is set out on page 42 of this circular;
- (iv) the letter from Amasse Capital Limited, the text of which is set out on pages 43 to 93 of this circular;
- (v) the written consent as referred to under the section headed “Expert’s qualification and consent” in this appendix;
- (vi) the interim report for the six months ended 30 June 2018; and
- (vii) this circular.

---

## NOTICE OF SGM

---



### Capital Finance Holdings Limited 首都金融控股有限公司

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8239)**

**NOTICE IS HEREBY GIVEN** that an special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Capital Finance Holdings Limited (the “**Company**”) will be held at Unit 2613A, 26th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 7 May 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**

- (a) the execution of the Amendment Deeds (the “**Amendment Deeds**”) dated 20 February 2019 by the Company in relation to the extension of the maturity date of the zero coupon convertible bonds due on 24 June 2019 in an aggregate principal amount of HK\$420,200,000 issued by the Company on 25 June 2014 by 3 years to 24 June 2022 and the zero coupon convertible bonds due on 5 February 2020 in an aggregate principal amount of HK\$236,000,000 issued by the Company on 6 February 2015 by 3 years to 5 February 2023 (the “**Convertible Bonds**”) pursuant to the Amendment Deeds (the “**Alteration**”) (copies of the Amendment Deeds having been produced to the SGM and marked “A” and “B” respectively and initialed by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the Alteration) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue of the conversion shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds as altered by the Amendment Deeds; and

---

## NOTICE OF SGM

---

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

By order of the Board  
**Capital Finance Holdings Limited**  
**Zhang Wei**  
Chairman

Hong Kong, 30 March 2019

*Registered Office*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong*  
Unit 2613A, 26/F.  
Mira Place Tower A  
132 Nathan Road, Tsimshatsui  
Kowloon  
Hong Kong