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

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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 licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**CHINA BEST GROUP HOLDING LIMITED**

**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

**(1) PROPOSED SUBSCRIPTION AND ISSUE OF NEW SHARES  
UNDER SPECIFIC MANDATE  
(2) PROPOSED RE-ELECTION OF THE RELEVANT DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial Advisor to Silver Venus**



**Financial Advisor to the Company**



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A notice convening the SGM of the Company to be held at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Monday, 18 January 2016 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM or any adjourned meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as practicable to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)). Completion and the delivery of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

31 December 2015

\* For identification purposes only

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## DEFINITIONS

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

“Additional CB Subscribers”	Happy-Silicon and KKC Capital SPC
“Additional CB Subscription Agreement”	the subscription agreement dated 15 September 2015 and entered into between the Company and the Additional CB Subscribers in connection with the proposed subscription of convertible bonds of the Company by the Additional CB Subscribers
“Anli Holdings”	Anli Holdings Limited, a company incorporated in Hong Kong with limited liability
“Announcement”	the announcement of the Company dated 9 December 2015
“Aquila Global”	Aquila Global Investment Ltd, a company incorporated in the British Virgin Islands with limited liability
“Board”	the board of Directors
“Bye-laws”	bye-laws of the Company
“CB Subscription Agreement”	the subscription agreement dated 15 September 2015 and entered into between the Company and the Share Subscribers in connection with the proposed subscription of convertible bonds of the Company by the Share Subscribers
“CCBI”	CCB International Capital Limited, the financial adviser to Silver Venus in relation to the Share Subscription
“China Best Finance”	China Best Finance Limited, an indirect wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong under the Money Lenders Ordinance
“China Best Finance Acquisition Agreement”	an acquisition agreement entered into between an individual (as seller) and Yongjia Investments (as buyer) on 15 April 2015 in relation to the acquisition by Yongjia Investments of all the shares in Advance Moon Limited (昇月有限公司) (subsequently renamed as the current name for China Best Finance) held by this individual, who is, to the best knowledge of the Directors, an Independent Third Party and is not related to any of the Share Subscribers

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## DEFINITIONS

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“China Bosum”	China Bosum Asset Management Limited, a company incorporated in Vanuatu with limited liability, and a Shareholder holding approximately 9.50% of the issued Shares as at the Latest Practicable Date and the single largest Shareholder recorded in the register kept by the Company pursuant to Section 336 of the SFO, which is held as to 51% by Mr. Lai Aizhong and 49% by Ms. Wen Ting
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Share Subscription in accordance with the terms of the Share Subscription Agreement
“Completion Date”	the day on which Completion takes place
“Director(s)”	director(s) of the Company
“Dishangtie”	地上鐵租車(深圳)有限公司 (Dishangtie Zuche (Shenzhen) Co., Ltd)*, a company established under the laws of the PRC
“Finance Lease Agreement 1”	the finance lease agreement entered into between Rongjinda Finance Leasing and Dishangtie dated 2 November 2015
“Finance Lease Agreement 2”	the finance lease agreement entered into between Rongjinda Finance Leasing and Huanggangbiaoqi dated 2 November 2015
“Finance Lease Agreements”	the Finance Lease Agreement 1 and the Finance Lease Agreement 2
“Finance Lease Supplemental Agreement”	the supplemental agreement dated 16 December 2015 entered into between Rongjinda Finance Leasing and Dishangtie amending and supplementing certain terms of the Finance Lease Agreement 1

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## DEFINITIONS

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“Finance Lease Termination Agreement”	the termination agreement dated 16 December 2015 entered into between Rongjinda Finance Leasing and Huanggangbiaoqi pursuant to which the parties agreed to terminate the Finance Lease Agreement 2 with effect from the date of the Finance Lease Termination Agreement
“First Decision Letter”	the decision letter of the Stock Exchange dated 16 October 2015 in relation to the Original Proposal
“First Revised Proposal”	the revised subscription proposal involving the subscription of Shares in the aggregate subscription amount of approximately HK\$1.4 billion
“First Share Subscription Supplemental Agreement”	the supplemental agreement to the Share Subscription Agreement dated 26 October 2015 entered into between the Company, the Share Subscribers and the Warrantors in connection with the First Revised Proposal
“Group” or “Group Companies”	the Company and its subsidiaries from time to time
“Happy-Silicon”	Happy-Silicon CB1, is an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability
“HK\$” or “HK dollar”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huanggangbiaoqi”	黃岡標旗運輸有限公司 (Huanggangbiaoqi Yunshu Company Limited)*, a company established under the laws of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Last Trading Day”	10 August 2015, being the last trading day immediately prior to the date of the Share Subscription Agreement
“Latest Practicable Date”	28 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein

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## DEFINITIONS

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“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing approval
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement 1”	the loan agreement dated 2 November 2015 entered into between China Best Finance as lender, Union Perfect as borrower and Mr. Jian Yinghai (翦英海) as guarantor in relation to the loan in the principal amount of HK\$150,000,000
“Loan Agreement 2”	the loan agreement dated 2 November 2015 entered into between China Best Finance as lender, Anli Holdings as borrower and Mr. Wong Wai Hong (黃偉康) as guarantor in relation to the loan in the principal amount of HK\$150,000,000
“Loan Agreements”	the Loan Agreement 1 and the Loan Agreement 2
“Loan Supplemental Agreement”	the supplemental agreement dated 16 December 2015 entered into between China Best Finance, Anli Holdings and Mr. Wong Wai Hong (黃偉康) amending and supplementing certain terms of the Loan Agreement 2
“Loan Termination Agreement”	the termination agreement dated 16 December 2015 entered into between China Best Finance, Union Perfect and Mr. Jian Yinghai (翦英海) pursuant to which the parties agreed to terminate the Loan Agreement 1 with effect from the date of the Loan Termination Agreement
“Major Transaction Announcement”	the Company’s announcement dated 2 November 2015 in relation to the Loan Agreements and the Finance Lease Agreements
“Material Adverse Effect”	any material adverse effect on the businesses, operations, assets, debts or financial conditions of the Group, other than as a result of the Share Subscription Agreement
“Money Lenders Ordinance”	Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)

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## DEFINITIONS

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“Original Proposal”	the original subscription proposal involving the subscription of new Shares and convertible bonds of the Company in the aggregate subscription amount of approximately HK\$5.9 billion as contemplated in the Share Subscription Agreement dated 15 September 2015 (prior to the entering of the First Share Subscription Supplemental Agreement and the Second Share Subscription Supplemental Agreement) and the convertible bonds subscription agreements entered into on 15 September 2015
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Directors”	Mr. Tan Xiangdong and Mr. Li Yu
“RMB”	Renminbi, the lawful currency of the PRC
“Rongjinda Finance Leasing”	Rongjinda Finance Leasing Co., Ltd.* (融金達融資租賃有限公司), an indirect wholly-owned subsidiary of the Company
“Second Decision Letter”	the decision letter of the Stock Exchange dated 13 November 2015 in relation to the First Revised Proposal
“Second Share Subscription Agreement”	the subscription agreement dated 26 October 2015 entered into between the Company and Happy-Silicon in connection with the proposed subscription of new Shares by Happy-Silicon under the First Revised Proposal
“Second Share Subscription Supplemental Agreement”	the second supplemental agreement to the Share Subscription Agreement dated 7 December 2015 entered into between the Company, the Share Subscribers and the Warrantors in connection with the Share Subscription
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Monday, 18 January 2016 at 11:00 a.m. for the purpose of considering and approving, among other things, (i) the Share Subscription Agreement and the transactions contemplated thereunder, and (ii) the granting of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme 2002”	the Company’s share option scheme adopted on 18 March 2002 and terminated on 17 March 2012
“Share Option Scheme 2012”	the Company’s share option scheme adopted on 22 May 2012
“Share Subscribers”	Silver Venus, Aquila Global and Sungi Global
“Share Subscription”	the subscription for the Subscription Shares by the Share Subscribers pursuant to the terms of the Share Subscription Agreement
“Share Subscription Agreement”	the subscription agreement dated 15 September 2015 entered into between the Company, the Share Subscribers and the Warrantors in connection with the Share Subscription, as amended and supplemented by the First Share Subscription Supplemental Agreement and the Second Share Subscription Supplemental Agreement
“Silver Venus”	Silver Venus Investments Ltd., a company incorporated in the British Virgin Islands with limited liability
“Specific Mandate”	a specific mandate to allot and issue the Subscription Shares to be sought from the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.18 per Subscription Share under the Share Subscription Agreement



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## DEFINITIONS

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“Subscription Shares”	2,000,000,000 new Shares to be subscribed by the Share Subscribers at an aggregate consideration of HK\$360,000,000 at the Subscription Price, each as a Subscription Share
“Sungi Global”	Sungi Global Investment Co., Ltd, a company incorporated in the British Virgin Islands with limited liability
“Union Perfect”	Union Perfect International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“US\$”	US dollar, the lawful currency of the United States of America
“Warrantors”	Mr. Li Yang (executive Director), Mr. Wang Jian (executive Director), China Bosum and Mr. Lai Aizhong
“WFOE”	Wholly Foreign-Owned Enterprise
“Yongjia Investments”	Yongjia Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

*The figures in RMB and US\$ are converted into HK\$ at the rates of RMB1:HK\$1.20 and US\$1:HK\$7.75 throughout this circular for indicative purpose only.*

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LETTER FROM THE BOARD

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**CHINA BEST GROUP HOLDING LIMITED**

**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

*Executive Directors:*

Mr. Tan Xiangdong (*Chairman*)  
Mr. Li Yang (*Deputy Chairman*)  
Mr. Wang Jian

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent Non-Executive Directors:*

Mr. Chan Fong Kong Francis  
Mr. Chen Zhenguo  
Mr. Li Yu

*Head office and principal place*

*of business in Hong Kong:*  
26/F, World-Wide House  
19 Des Voeux Road Central  
Central, Hong Kong

31 December 2015

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION AND ISSUE OF NEW SHARES  
UNDER SPECIFIC MANDATE  
(2) PROPOSED RE-ELECTION OF THE RELEVANT DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

References are made to the Announcement and the Company's prior announcements dated 18 September 2015 and 27 October 2015. Under the Original Proposal, the Company entered into the principal Share Subscription Agreement, the CB Subscription Agreement and the Additional CB Subscription Agreement on 15 September 2015 respectively with (as the case may be) the Share Subscribers, the Additional CB Subscribers and the Warrantors, pursuant to which the Company intended to raise approximately HK\$5.9 billion in aggregate from the Share Subscribers and the Additional CB Subscribers, for among others, the proposed expansion of the Group's money lending and finance leasing businesses.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Original Proposal was rejected by the Stock Exchange in its First Decision Letter dated 16 October 2015 on the ground that the Company would become a cash company under Rule 14.82 of the Listing Rules upon completion of the Original Proposal, and the proposed subscription under the Original Proposal would be considered as a means to list the finance leasing and money lending businesses and an attempt to circumvent the new listing requirements under the Listing Rules. Having taken into consideration, among others, the Group's funding commitment and the First Decision Letter, the Company reviewed its funding requirements and entered into arm's length negotiations with the Share Subscribers and the Additional CB Subscribers to adjust the subscription amount under the Original Proposal. Under the First Revised Proposal, the Company, the Share Subscribers and the Warrantors entered into the First Share Subscription Supplemental Agreement on 26 October 2015 to amend and supplement the terms of the principal Share Subscription Agreement. In addition, the Company and Happy-Silicon entered into the Second Share Subscription Agreement on 26 October 2015, and the CB Subscription Agreement and the Additional CB Subscription Agreement were terminated on the same day. The Company submitted the First Revised Proposal on 3 November 2015 with, among others, a reduced aggregate subscription size of approximately HK\$1.4 billion. Additional information was also submitted to the Stock Exchange on 10 November 2015 to address the Stock Exchange's concerns and support the Company's case.

The Stock Exchange nonetheless maintained its ruling in its Second Decision Letter dated 13 November 2015. Given the Group's business plan, the Board is nonetheless of the view that it would still be better off for the Group and the Shareholders as a whole to proceed with the proposed subscription subject to further revision to its terms. Hence, the Company conducted a further review in light of among others, the Group's funding requirements and the Second Decision Letter, and entered into further arm's length negotiations with the Share Subscribers and Happy-Silicon to scale down the proposed gross proceeds to HK\$360 million by the entering into of the Second Share Subscription Supplemental Agreement on 7 December 2015 between the Company, the Share Subscribers and the Warrantors to further amend the Share Subscription Agreement, and the termination of the Second Share Subscription Agreement by mutual agreement between the Company and Happy-Silicon.

Pursuant to the Share Subscription Agreement, the Share Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the Subscription Shares in accordance with the terms of the Share Subscription Agreement.

The allotment and issue of the Subscription Shares will be made under the Specific Mandate to be sought from the Shareholders at the SGM. The SGM will be convened for the purpose of considering and, if it thought fit, approving the Share Subscription, the proposed granting of the Specific Mandate, and the proposed re-election of the Relevant Directors.

The purpose of this circular is to provide you with further details in relation to, among others, (i) the Share Subscription and the proposed granting of the Specific Mandate, (ii) the proposed re-election of the Relevant Directors, and (iii) a notice of the SGM, and other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### PROPOSED SUBSCRIPTION AND ISSUE OF NEW SHARES

On 15 September 2015, 26 October 2015 and 7 December 2015, the Share Subscribers, the Company and the Warrantors entered into the principal Share Subscription Agreement, the First Share Subscription Supplemental Agreement and the Second Share Subscription Supplemental Agreement, respectively. Pursuant to the Share Subscription Agreement, the Share Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the Completion Date, the Subscription Shares for a total consideration of HK\$360,000,000 at HK\$0.18 per Share.

#### Principal terms of the Share Subscription Agreement

Date: 15 September 2015 (as amended on 26 October 2015 and 7 December 2015, respectively)

Parties: (a) the Company;  
(b) the Share Subscribers; and  
(c) the Warrantors.

As at the Latest Practicable Date, the Share Subscribers and their respective ultimate beneficial owners are Independent Third Parties and none of them hold any Shares. China Bosum, which is owned as to 51% by Mr. Lai Aizhong and 49% by Ms. Wen Ting, is interested in 500,000,000 Shares, representing approximately 9.50% interest in the Company as at the Latest Practicable Date. Each of China Bosum and Mr. Lai Aizhong is a Warrantor under the Share Subscription Agreement in respect of certain representations to the Share Subscription with regard to the Group.

The Subscription Shares will be subscribed by the Share Subscribers in the following proportion:

Share Subscribers	Number of Shares	Percentage of all the Subscription Shares	Subscription consideration (HK\$)
Silver Venus	1,600,000,000	80%	288,000,000
Aquila Global	200,000,000	10%	36,000,000
Sungi Global	<u>200,000,000</u>	<u>10%</u>	<u>36,000,000</u>
<b>Total</b>	<u><u>2,000,000,000</u></u>	<u><u>100%</u></u>	<u><u>360,000,000</u></u>

Subscription Price per Share: HK\$0.18

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## LETTER FROM THE BOARD

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The Subscription Shares represent:

- (a) approximately 37.99% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 27.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company the record date of which falls on or after the date of allotment and issue of the Subscription Shares.

### **Conditions for the Share Subscription**

Completion is conditional upon the satisfaction (if applicable, waiver) of the following conditions:

- (a) the approval by the Shareholders at the SGM of:
  - (i) the Share Subscription and any others transactions contemplated under the Share Subscription Agreement, including but not limited to the allotment and issue of the Subscription Shares to the Share Subscribers; and
  - (ii) the Specific Mandate,in accordance with the requirements of the Listing Rules;
- (b) the approval by the Listing Committee for the listing of, and dealing in, the Subscription Shares, such approval having not been cancelled or withdrawn;
- (c) the obtaining by the Company and the Warrantors from all relevant government authorities, regulatory authorities or PRC approval authorities of all necessary exemption, consents, approvals, licenses, authorisations, permits, order and waiver (if applicable) in respect of the Share Subscription Agreement and the transactions contemplated thereunder;
- (d) the Company having procured Yongjia Investments to complete the acquisition of the entire issued shares of China Best Finance on or before 14 October 2015 in accordance with the terms of the China Best Finance Acquisition Agreement, and to provide evidence that Yongjia Investments has become the holder of the entire issued shares, and has become the sole shareholder, of China Best Finance;

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## LETTER FROM THE BOARD

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- (e) all the warranties given by the Company and the Warrantors under the Share Subscription Agreement being true and accurate in all material aspects, and not misleading in all aspects as at the date of execution of the Share Subscription Agreement and the Completion Date;
- (f) all the warranties given by the Share Subscribers under the Share Subscription Agreement being true and accurate in all material aspects, and not misleading in all aspects as at the date of the execution of the Share Subscription Agreement and the Completion Date;
- (g) the Company and the Warrantors having performed and complied with, in all material aspects, all obligations under the Share Subscription Agreement required to be performed on or before the Completion Date, and none of the undertakings given by the Company and the Warrantors under the Share Subscription Agreement having been breached;
- (h) the Share Subscribers having performed and complied with, in all material aspects, all obligations under the Share Subscription Agreement required to be performed on or before the Completion Date, and none of the undertakings given by the Share Subscribers under the Share Subscription Agreement having been breached;
- (i) there being no matter or circumstance which would result in a Material Adverse Effect with respect to the business or financial conditions of any Group Companies;
- (j) the obtaining by the Share Subscribers from all relevant government authorities or regulatory authorities, PRC approval authorities (including but not limited to the central or local divisions of National Development and Reform Commission, Ministry of Commerce, State Administration of Foreign Exchange, and/or State Administration of State-owned Assets Commission) of all necessary consents, approvals, waivers, registrations and filings (if applicable) in respect of the Share Subscription Agreement and the transactions contemplated thereunder, in accordance with the laws and regulations of the relevant applicable jurisdictions; and
- (k) the Shares continuing to be listed and traded on the Stock Exchange at all times (other than trading halt(s) contemplated under or as a result of the Share Subscription, and trading halts(s) of no longer than 15 business days (or such longer periods as may be agreed between the parties to the Share Subscription Agreement)), and the Company not having received any indications from the Stock Exchange or the SFC on or before the date of Completion that the listing status of the Shares on the Stock Exchange will or may be revoked or rejected (conditional or otherwise) as a result of Completion, the terms of Share Subscription Agreement or any transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, condition (d) has been fulfilled. If the other conditions above have not been fully fulfilled, satisfied or waived on or before 31 March 2016 (or such other date as may be agreed in writing by the parties to the Share Subscription Agreement), the Share Subscription Agreement shall lapse and be of no further effect, save for the survival provisions and in respect of any accrued rights or obligations, provided that (i) the Share Subscribers may waive any or all of the conditions above, save for conditions (a), (b), (c), (f), (h), (j) and (k), and (ii) the Company may, and on behalf of the Warrantors, waive any or all of conditions (f) and (h) above. As at the Latest Practicable Date, the Company has no intention to waive any or all of conditions (f) and (h) above.

### **Completion**

Completion shall take place on the Completion Date after the fulfilment of the conditions set out above. The Company and the Share Subscribers intend to complete the Share Subscription within 30 days of obtaining the relevant Shareholders' approvals at the SGM to be held.

### **Nomination of Directors**

Pursuant to the Share Subscription Agreement and upon Completion, the Share Subscribers have the right to nominate two (2) persons to be appointed as Directors, which appointment shall be subject to the Company having obtained all necessary corporate approvals in connection with such appointment of Directors in accordance with the Bye-laws. The Company will make further announcements pursuant to Rule 13.51(2) of the Listing Rules to provide further details about changes to the composition of the Board.

### **The Subscription Price**

The Subscription Price of HK\$0.18 per Share represents:

- (a) a discount of approximately 26.23% to the closing price of HK\$0.244 per Share on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 16.28% to the average closing price of approximately HK\$0.215 per Share for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 15.49% to the average closing price of approximately HK\$0.213 per Share for the last 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 34.31% to the average closing price of approximately HK\$0.274 per Share for the last 60 trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (e) a discount of approximately 22.75% to the average closing price of approximately HK\$0.233 per Share for the last 180 trading days up to and including the Last Trading Day; and
- (f) a discount of approximately 21.40% to the closing price of HK\$0.229 per Share on the Stock Exchange on the Latest Practicable Date.

In addition, by reference to the net assets value of the Group as reflected in the Company's interim report for the 6-month period ended 30 June 2015 of approximately HK\$912.26 million (equivalent to approximately HK\$0.173 per Share based on 5,264,566,267 Shares in issue as at the Latest Practicable Date), the Subscription Price per Share represents a premium of approximately 4.05% to the net assets value per Share.

The net aggregate proceeds from the Share Subscription, after deduction of relevant expenses (including but not limited to the legal expenses and disbursements), is estimated to be approximately HK\$356 million. The net Subscription Price per Share is estimated to be approximately HK\$0.178, after deduction of relevant expenses of the Share Subscription.

The Subscription Price for the Share Subscription was determined after arm's length negotiations between the Company and the Share Subscribers with reference to the recent average closing prices of the Shares on the Stock Exchange and the recent financial position of the Group. The Directors consider that the Share Subscription Agreement has been entered into upon normal commercial terms and the terms of the Share Subscription Agreement (including, without limitation, the Subscription Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### INFORMATION OF THE SHARE SUBSCRIBERS

Silver Venus, one of the Share Subscribers, is an investment holding company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司).



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## LETTER FROM THE BOARD

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Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) was established in 1989 and headquartered at Chaoyang District, Beijing, with a current staff count of approximately 10,000 people. Its existing registered capital is RMB5 billion. Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) is owned as to 76% by Zhonghai Shengfeng (Beijing) Capital Management Co., Ltd.\* (中海晟豐(北京)資本管理有限公司), 16% by Mr. Liu Yiliang (劉義良) and 8% by Ms. Xie Huiyu (解蕙滄). The equity interest in Zhonghai Shengfeng (Beijing) Capital Management Co., Ltd.\* (中海晟豐(北京)資本管理有限公司) is wholly owned by Mr. Xie Zhikun (解直錕). Mr. Xie Zhikun (解直錕) is the former Chairman of Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司). Mr. Xie Zhikun (解直錕) is experienced in, including but not limited to, investment, mergers and acquisitions, assets management and industrial fund. Ms. Xie Huiyu (解蕙滄) is a Chinese investor. Mr. Liu Yiliang (劉義良) is a business department manager of Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司), and has extensive experience in corporate management.

Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) is an asset management company in the PRC. It has all along been adhered to the strategy of “growing together with good companies” to gradually develop itself to become an innovative consolidated financial service group with high concentration and diversification in the integrated financial businesses in investment, financing and property funds. Its business segments include trust, mergers and acquisitions, investments, innovative financial services, wealth management and financial investments.

Sungi Global, one of the Share Subscribers, is an investment holding company incorporated in the British Virgin Islands, and is wholly owned by Shangji (Shanghai) Investment Center (Limited Partnership)\* (商驥(上海)投資中心(有限合夥)), a limited partnership registered under the laws of PRC, of which Dazi County Dingcheng Capital Investment Co., Ltd.\* (達孜縣鼎誠資本投資有限公司) is the general partner and Beijing Zhongrong Dingxin Investment Management Co., Ltd.\* (北京中融鼎新投資管理有限公司) is its limited partner. Dazi County Dingcheng Capital Investment Co., Ltd.\* (達孜縣鼎誠資本投資有限公司) is wholly owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd.\* (北京中融鼎新投資管理有限公司). There are no other general or limited partners of Shangji (Shanghai) Investment Center (Limited Partnership)\* (商驥(上海)投資中心(有限合夥)). Beijing Zhongrong Dingxin Investment Management Co., Ltd.\* (北京中融鼎新投資管理有限公司) is wholly owned by Zhongrong International Trust Co., Ltd\* (中融國際信託有限公司) which is owned as to approximately 37.47% by Jingwei Textile Machinery Co., Ltd.\* (經緯紡織機械股份有限公司), approximately 32.99% by Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司), approximately 21.54% by Harbin Investment Group Company Limited\* (哈爾濱投資集團有限責任公司) and approximately 8.01% by Shenyang An Tai Da Commercial Trading Ltd.\* (瀋陽安泰達商貿有限公司). Jingwei Textile Machinery Co., Ltd.\* (經緯紡織機械股份有限公司) is a public limited company incorporated in the PRC whose shares are listed on (i) the main board of the Stock Exchange and was delisted from the Stock Exchange from 4:00 p.m. on 28 December 2015 (Stock

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Code: 350.HK) and (ii) Shenzhen Stock Exchange (深圳證券交易所) (Stock Code: 000666.SZ). Its ultimate holding company is China Hi-Tech Group Corporation\* (中國恒天集團有限公司). China Hi-Tech Group Corporation\* (中國恒天集團有限公司) is a state-owned enterprise established in the PRC. Harbin Investment Group Company Limited\* (哈爾濱投資集團有限責任公司) is wholly owned by Harbin State-owned Assets Supervision and Administration Commission\* (哈爾濱市人民政府國有資產監督管理委員會). Shenyang An Tai Da Commercial Trading Ltd.\* (瀋陽安泰達商貿有限公司) is indirectly owned as to 95% by Mr. Wang Qiang (王強) and 5% by Mr. Wang Xi (王熙).

Zhongrong International Trust Co., Ltd\* (中融國際信託有限公司) was established in 1987 and since its establishment has developed into a conglomerate financial institution with individual and institutional customers. Zhongrong International Trust Co., Ltd.\* (中融國際信託有限公司) has in recent years received numerous industry awards and the asset under management has grown from RMB305.713 billion to RMB722.793 billion from 2012 to 2014.

Aquila Global, one of the Share Subscribers, is an investment holding company incorporated in the British Virgin Islands and is wholly owned by Yunji (Shanghai) Investment Center (Limited Partnership)\* (雲霽(上海)投資中心(有限合夥)), a limited partnership registered under the laws of the PRC, of which Beijing Jingpeng Investment Management Co., Ltd.\* (北京京鵬投資管理有限公司) is the general partner. Beijing Jingpeng Investment Management Co., Ltd.\* (北京京鵬投資管理有限公司) is owned as to 40.50% by Yanneng Capital Management Co., Ltd.\* (岩能資本管理有限公司), 40.50% by Jingwei Textile Machinery Co., Ltd.\* (經緯紡織機械股份有限公司), 10% by Beijing Shiyu Investment Co., Ltd.\* (北京時雨投資有限公司) and 9% by Jiangyin Fengming Jiutian Investment Center (Limited Partnership)\* (江陰鳳鳴九天投資中心(有限合夥)). Yanneng Capital Management Co., Ltd.\* (岩能資本管理有限公司) is wholly owned by Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司). Beijing Shiyu Investment Co., Ltd.\* (北京時雨投資有限公司) is owned as to 60% by Ms. Yao Wei (么偉) and 40% by Ms. Sun Qingli (孫慶莉). Jiangyin Fengming Jiutian Investment Center (Limited Partnership)\* (江陰鳳鳴九天投資中心(有限合夥)) is a limited partnership registered under the laws of the PRC, of which Jiangyin Fengming Investment Company Limited\* (江陰鳳鳴投資有限公司) is its general partner and Ms. Liu Tianhang (劉天航) is its limited partner. Jiangyin Fengming Investment Company Limited\* (江陰鳳鳴投資有限公司) is owned as to 60% by Ms. Liu Tianhang (劉天航) and 40% by Mr. Lu Feng (遼豐). Beijing Jingpeng Investment Management Co., Ltd.\* (北京京鵬投資管理有限公司) is dedicated to investing in listed companies and other outstanding enterprises, and is principally engaged in industry-based mergers and acquisitions and integrations.

### REASONS FOR THE SHARE SUBSCRIPTION

The Group is principally engaged in the manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities and fuel oil, iron ore, and other commodities and commenced the finance leasing business in July 2015.

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## LETTER FROM THE BOARD

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The Directors have continued to review its existing businesses and strive to improve the business operations and financial position of the Group by proactively seeking potential investment opportunities that can diversify and expand its existing business portfolio, establish new business where desirable, broaden its source of income, and enhance value to its Shareholders. Since the second half of 2014, the Group strengthened its strategic adjustment on its principal business and has been gradually moving towards to the financial service business. The Directors are of the view that the respective industry and sector are expected to possess positive potential and will bring long-terms benefits to the Group. As disclosed in the Company's announcement dated 17 December 2015, the Company entered into a sale and purchase agreement on the same day with an Independent Third Party in connection with the disposal of the Group's coal business and will no longer engage in the coal business after completion of the aforesaid disposal. As at the Latest Practicable Date, the aforesaid disposal has not been completed.

In November 2014, the Company announced to raise, by an open offer, approximately not less than HK\$211.98 million but not more than approximately HK\$238.00 million for capital injection into an indirect wholly foreign-owned enterprise in the PRC for the purpose of establishing a finance leasing business in the PRC. As of July 2015, Rongjinda Finance Leasing has been established in Qianhai, Shenzhen and its registered capital of US\$30 million (equivalent to approximately HK\$232.50 million) has been fully paid up. As at the Latest Practicable Date, approximately HK\$186.59 million has been utilised in the Group's finance leasing business. If there is new capital injection, the Group believes that Rongjinda Finance Leasing will substantially expand its existing business and succeed substantial growth in its business scale and revenue, thus creating higher value for the Company and the Shareholders.

In April 2015, the subsidiary of the Group, Yongjia Investments (as purchaser) entered into a share sale and purchase agreement with an individual (as seller) to purchase all the shares of Advance Moon Limited (昇月有限公司), which was later renamed as the current name for China Best Finance. China Best Finance holds a money lenders licence in Hong Kong. As at the Latest Practicable Date, this transaction has already been completed. The Group intends to leverage on China Best Finance as the platform to actively develop the money lending business.

The Directors believe that the introduction of renowned strategic investors who can work side by side with the Group would enhance the professional expertise and business development opportunity in the financial industry for the Group, and through identifying, evaluating and purchasing financial institutions established in Hong Kong and overseas, it can accelerate the completion of constructing an innovative comprehensive financial holding platform.

The Directors have considered the following major factors:

- (a) the background, industry expertise, customer resources, innovative concept, risk control capabilities and management experience of the Share Subscribers, as well as the variety of business portfolios of Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) and Zhongrong International Trust Co., Ltd\* (中融國際信託有限公司);

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## LETTER FROM THE BOARD

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- (b) the benefits, including strategic value and management expertise, that Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) and Zhongrong International Trust Co., Ltd\* (中融國際信託有限公司) could bring to the Group in the future;
- (c) the valuable contributions and views from the Share Subscribers which enable the Group to take a better position to assess, evaluate, capture and undertake business opportunities; and
- (d) the consistency between the strategic intention of the Group and the Share Subscribers' intention to develop financial services platform in the Great China region and worldwide in the future.

The Directors further consider that the entering of the Share Subscription Agreement represents a good opportunity to (i) strengthen the capital base and balance sheet of the Company, and (ii) generate synergy to the Group by tapping into the network and client base of the Share Subscribers and their respective parent groups.

The Group has already entered into the financial industry and commenced related businesses, and has planned to further expand the business scope of its financial businesses. Finance leasing business, money lending business and/or other related financial business are capital-intensive in nature. Upon Completion, the capital base and balance sheet of the Company will be strengthened, which is considered essential for the Group's future business development in the financial business market with a view to establishing a leading position in the financial industry in Hong Kong.

The Directors believe that the Share Subscription will not only enable the Group to raise a significant amount of funds for business development needs, but can also enhance the existing finance leasing business and money lending business of the Group through various channels by sharing the customer base of the Share Subscribers and their parent groups in corporate finance, wealth management and asset management businesses with a view to enhancing the Group's enterprise value and shareholders' returns ultimately.

For the finance leasing businesses, the Directors are of the view that, the Group will benefit from the valuable experience of Zhongzhi Enterprise Group Co., Ltd\* (中植企業集團有限公司) and Zhongrong International Trust Co., Ltd\* (中融國際信託有限公司) after Completion. It will substantially improve the financial service capability for corporate customers and high net worth individuals. It will put the Group in a better position to assess and evaluate the commercial feasibility of business opportunities, identify and recognise the financial service related business development and diversification and seizing these opportunities.

Finally, the Directors considered various fund raising methods, including the Share Subscription, rights issue or open offer, and debt financing and considered that the Share Subscription is the best option available, for the following reasons:

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## LETTER FROM THE BOARD

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- (a) it would be difficult for financial institutions to provide facility up to such a substantial amount to the Group as proposed under the Share Subscription and debt financing would inevitably incur significant financial costs for the Group;
- (b) a pre-emptive issue such as rights issue or open offer would not be able to bring in strategic investors as the Share Subscribers, particularly investors with the background and professional expertise of the Share Subscribers; and
- (c) it would be difficult to identify any person who would be willing to underwrite the rights issue or open offer of the Company and even if such an underwriter could be identified, considerable underwriting commission would need to be paid to the underwriter.

In view of the foregoing and having further taking into account the reasons and benefits of the Share Subscription that may be brought to the Group, the Directors consider that the terms of the Share Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INTENDED USE OF PROCEEDS**

As set out in the Announcement, the Company and the other parties under the Original Proposal and the First Revised Proposal, among others, reduced the size of the subscription proceeds under the Original Proposal and the First Revised Proposal in response to the Stock Exchange's rulings. The proposed subscription proceeds under the Original Proposal was approximately HK\$5.9 billion, which was reduced to approximately HK\$1.4 billion under the First Revised Proposal and was further reduced to HK\$360 million under the current Share Subscription as amended by the Second Share Subscription Supplemental Agreement.

In view of the above, the Company has accordingly revised the funding requirements of the Group and the intended use of the proceeds from the Share Subscription. As revised, the net proceeds arising from the Share Subscription will primarily be used as set out below.

#### **1. Development of finance leasing business.**

The Group intends to further develop its finance leasing business in the PRC through capital contributions or provision of shareholder loans to its indirect wholly-owned subsidiary, Rongjinda Finance Leasing in Qianhai, Shenzhen.

The Company believes that the finance leasing business will enter into stage of accelerated development under the current policy support from the PRC government. This has provided a good opportunity for the Group to focus on the development of its finance leasing business.

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## LETTER FROM THE BOARD

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As set out in the Major Transaction Announcement, Rongjinda Finance Leasing entered into the Finance Lease Agreements on 2 November 2015 for an aggregate consideration of RMB650 million. Given the reduced proceeds from the Share Subscription as compared to that under the First Revised Proposal, the Company has on 16 December 2015 entered into further agreements with each of Dishangtie and Huanggangbiaoqi in relation to the Finance Lease Agreements as follows:

- (i) Rongjinda Finance Leasing and Dishangtie entered into the Finance Lease Supplemental Agreement pursuant to which the parties agreed to amend the terms of the Finance Lease Agreement 1 such that, among other things, the total consideration for the leased assets will be reduced from RMB600,000,000 (equivalent to approximately HK\$720,000,000) to RMB115,000,000 (equivalent to approximately HK\$138,000,000); and
- (ii) Rongjinda Finance Leasing and Huanggangbiaoqi entered into the Finance Lease Termination Agreement pursuant to which the parties agreed to terminate the Finance Lease Agreement 2 with effect from the date of the Finance Lease Termination Agreement.

It is expected that approximately HK\$90,000,000 or approximately 25% of the net proceeds from the Share Subscription will be used to fund the Finance Lease Agreement 1 (as amended).

### **2. Development of money lending business**

By leveraging on the customer resources of the Share Subscribers and their respective parent groups in the PRC, the Group intends to develop its money lending business in Hong Kong rapidly. Given that there are stringent requirements of lending for traditional bank, non-banking licensed lending institutions have become better alternatives for potential borrowers to obtain efficient and flexible funding solutions. This is expected to increase the demand for lending services from finance companies, thereby creating tremendous business opportunities for the further expansion of the Group's money lending business.

As further set out in the Major Transaction Announcement, China Best Finance entered into the Loan Agreements with each of Union Perfect and Anli Holdings on 2 November 2015. Given the reduced proceeds from the Share Subscription as compared to that under the First Revised Proposal, the Company has on 16 December 2015 entered into further agreements in relation to the Loan Agreements as follows:

- (i) China Best Finance, Anli Holdings and Mr. Wong entered into the Loan Supplemental Agreement pursuant to which the parties agreed to amend the terms of the Loan Agreement 2 such that, among other things, the principal amount of the loan to be advanced by China Best Finance to Anli Holdings will be reduced from HK\$150,000,000 to HK\$40,000,000; and

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## LETTER FROM THE BOARD

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- (ii) China Best Finance, Union Perfect and Mr. Jian entered into the Loan Termination Agreement pursuant to which the parties agreed to terminate the Loan Agreement 1 with effect from the date of the Loan Termination Agreement.

It is expected that HK\$40,000,000 or approximately 11% of the net proceeds from the Share Subscription will be used to fund the Loan Agreement 2 (as amended).

### **3. Carrying on of the securities, futures and asset management businesses**

The Group intends to, during the first year after Completion, through acquisitions of licensed institutions or applications to the SFC for the respective licenses (if necessary), engage in regulated activities governed by the SFO, such as Type 1 regulated activities (dealing in securities), Type 2 regulated activities (dealing in futures contracts), Type 4 regulated activities (advising on securities), Type 5 regulated activities (advising on futures contracts), Type 6 regulated activities (advising on corporate finance), and Type 9 regulated activities (asset management).

As disclosed in the Major Transaction Announcement, Mr. Wong will enter into an option agreement with China Best Finance pursuant to which Mr. Wong will grant an option to China Best Finance entitling China Best Finance or a company within the Group designated by the Company to have the right (but not the obligation) to purchase not less than 60% of the issued shares of Anli Holdings for a consideration of not more than HK\$60,000,000 on the basis of the entire issued share capital of Anli Holdings within six months of the drawdown date of the loan. Anli Securities Limited, the main subsidiary of Anli Holdings, is principally engaged in securities trading and brokerage business in Hong Kong which is under the Type 1 regulated activities governed by the SFO.

It is expected that the Company may utilise up to approximately HK\$60,000,000 or 17% of the net proceeds from the Share Subscription to implement the above plan by exercising the abovementioned option or acquiring other suitable securities companies, futures companies and/or asset management companies.

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## LETTER FROM THE BOARD

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#### **4. Further establishment of an innovative, comprehensive financial holding platform**

In the medium-to-long term, the Group intends to establish itself as an innovative comprehensive financial holding platform with leading service capabilities in Hong Kong and overseas. Through acquisitions and/or by applying for the relevant licenses in Hong Kong and/or overseas, the Group intends to develop an innovative financial business platform providing financial services such as internet financing, alternative asset management and private banking. In particular, the Group intends to leverage on the Share Subscribers' (and their respective parent groups') base of high net worth private clients of in the PRC and the Group's strategic location in Hong Kong to develop the Group's private banking business, attract high net worth private clients in Hong Kong and overseas, and to advise the Group's customers on the allocation of safe and quality financial products.

In this regard, on 29 October 2015, the Company signed an indication of interest with a pets health insurance company in Japan in relation to a possible subscription of shares amounting to 55% of the enlarged equity interest in such company at a consideration of approximately HK\$60,000,000. Subject to the entering into of any binding agreement, it is expected that approximately HK\$60,000,000 or 17% of the net proceeds from the Share Subscription may be utilised for this potential subscription.

#### **5. Development of trading business**

The Group intends to further develop and enhance its trading business as one of its principal businesses as it will provide stable income to the Group and balance the risk and return factors when the Group is developing financial service business. The Group is currently in negotiation with a renowned trading agent in the PRC that is specialised in export business of fishmeal. It is expected that approximately HK\$80,000,000 or 23% of the net proceeds from the Share Subscription may be used to fund the expansion of trading business.

#### **6. General working capital purposes**

As general working capital of the Group, it is expected that approximately HK\$26,000,000 or 7% of the net proceeds from the Share Subscription will be utilised for the implementation of the Group's plans including but not limited to (1) the commencement of marketing and promotion activities to promote the Group's services and branding through different media to build the investing public's awareness of the Group and its businesses in Hong Kong, so as to expand the customer base of the Group, and (2) the recruiting of professional personnel to expand the Group's management and operation team.



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## LETTER FROM THE BOARD

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Based on the latest revised funding needs of the Company for the next 12 months taking into account the Share Subscription, the transaction size of the Loan Agreement 2 and the Finance Leasing Agreement 1 (as respectively amended), the situation known to the Company and the current market conditions, the Company is of the view that the proceeds from the Share Subscription is sufficient to satisfy the Company's expected funding needs. In arriving at the aforesaid view, it is assumed (i) that there would be no material change in the existing government policies or political, legal, fiscal, market or economic conditions in the PRC, Hong Kong and other countries in which the Group operates, and (ii) the Group's operations and business would not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unfavourable factors that are beyond the control of the Board, including but not limited to the occurrence of natural disasters, labour disputes, significant lawsuit and arbitration. The Board will continue to identify suitable business and investment opportunities that it considers beneficial to the Company and the Shareholders as a whole and will consider further fund raising activities in the future which shall include but not limited to debt or equity financing and/or bank borrowings.

### **SPECIFIC MANDATE**

The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Subscription Shares.

### **APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other equity fund raising exercises in the past 12 months before the Latest Practicable Date.

Date of announcement	Event	Net proceeds	Intended use of net proceeds at that time	Actual use of net proceeds
10 November 2014	Open offer on the basis of one offer share for every two existing shares held on the record date at the subscription price of HK\$0.15 per share of the Company representing a discount of approximately 39.76% to the closing price of HK\$0.249 per share as quoted on the Stock Exchange as at the date of the underwriting agreement	Approximately HK\$211.67 million	For capital injection into the WFOE for the purpose of establishing a finance lease business in the PRC.	(i) approximately HK\$101.42 million was utilised for capital injection into the WFOE as intended; and (ii) HK\$110.25 million was utilised for settlement of the consideration of the subscription of new shares of East Favor Global Investment Limited. Details are disclosed in the announcement of the Company dated 11 June 2015.
12 June 2015	Placing of 875,380,000 new shares under general mandate at the placing price of HK\$0.25 per share of the Company representing a discount of approximately 7.41% to the closing price of HK\$0.27 per share as quoted on the Stock Exchange as at the date of the placing agreement	Approximately HK\$213 million	(a) For further capital injection of approximately HK\$131 million into the WFOE for the purpose of establishing a finance leasing business in the PRC; and (b) approximately HK\$82 million to be utilised for investment opportunities that may arise and/or general working capital.	(i) approximately HK\$131 million was utilised for capital injection into the WFOE as intended; (ii) approximately HK\$75 million was utilised for general working capital as intended; and (iii) the remaining of approximately HK\$7 million remained unused and will be used as intended.

### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 5,264,566,267 Shares in issue and outstanding options with the rights to subscribe for 49,145,426 Shares and 407,656,120 Shares respectively granted under the Share Option Scheme 2002 and the Share Option Scheme 2012.

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## LETTER FROM THE BOARD

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Save as described above, the Company does not have any other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date. Assuming that no Shares will be issued by the Company other than the Subscription Shares, the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue of the Subscription Shares are as follows:

Shareholder of the Company	As at the Latest Practicable Date		Immediately after the issue of the Subscription Shares (Note 2)	
	Shares	% (approx.)	Shares	% (approx.)
<b>Share Subscribers</b>				
Silver Venus	–	–	1,600,000,000	22.03
Aquila Global	–	–	200,000,000	2.75
Sungi Global	–	–	<u>200,000,000</u>	<u>2.75</u>
Sub-total	<u>–</u>	<u>–</u>	<u>2,000,000,000</u>	<u>27.53</u>
<b>Public Shareholders</b>				
China Bosum (Note 1)	500,000,000	9.50	500,000,000	6.88
Other existing public Shareholders	<u>4,764,566,267</u>	<u>90.50</u>	<u>4,764,566,267</u>	<u>65.59</u>
Sub-total	<u>5,264,566,267</u>	<u>100.00</u>	<u>5,264,566,267</u>	<u>72.47</u>
<b>Total</b>	<u><u>5,264,566,267</u></u>	<u><u>100.00</u></u>	<u><u>7,264,566,267</u></u>	<u><u>100.00</u></u>

*Note 1:* China Bosum is owned as to 51% by Mr. Lai Aizhong and 49% by Ms. Wen Ting respectively. Hence, both Mr. Lai Aizhong and Ms. Wen Ting are deemed to be interested in all the shares held by China Bosum under Part XV of the SFO.

*Note 2:* Assuming that the Share Subscribers do not purchase any Share from the Latest Practicable Date up to the Completion Date.

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## LETTER FROM THE BOARD

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### PROPOSED RE-ELECTION OF THE RELEVANT DIRECTORS

#### Mr. Tan Xiangdong

Mr. Tan Xiangdong was appointed as an executive director and the Chairman of the Board with effect from 22 May 2015. Pursuant to the Bye-laws, Mr. Tan would hold office until the next general meeting of the Company and would be eligible for re-election at such meeting.

Mr. Tan, aged 61, received a doctorate degree in economics in Xiamen University in 1998, a master's degree in economics of Southwestern University of Finance and Economics (西南財經大學) in 1996 and a bachelor's degree in economics in Hunan University of Finance and Economics (湖南財經學院) in 1982. He is the Senior Economist in the PRC. He served at various positions in Industry and Commercial Bank of China (中國工商銀行) during 1985 to 1995 and was the deputy general manager of Trust Investment Company of the Head Office of ICBC (中國工商銀行總行信託投資公司) before his leaving. Afterwards, he was the general manager of Beijing Securities Co., Ltd. (北京證券有限責任公司) until 1997. From 1992 to 1996, he was the executive council member of Securities Association of China (中國證券業協會). He was appointed as the director of Shenzhen Stock Exchange (深圳證券交易所) from 1995 to 2005, the deputy general manager in United Securities Co., Ltd. (聯合證券有限責任公司) from 1997 to 2001, the chairman of in Baoying Fund Management Co., Ltd. (寶盈基金管理有限公司) from 2001 to 2004, the chairman of City International Trust and Investment Company (城市國際信託投資公司) from 2004 to 2008, and the chairman and chief executive officer in National West Development Industries Fund Management Co., Ltd. (國家西部發展產業基金管理有限公司) from 2008 to 2014. From 2008 to 2012, he was also the chairman of Welichen Biotech Inc. of which shares are listed on TSX Venture Exchange in Canada. Mr. Tan was the independent director of Mirae Asset Management Co., Ltd. (華宸未來基金管理公司) from July 2012 to May 2015.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Tan. Mr. Tan has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Mr. Tan is entitled to a director's remuneration of HK\$180,000 per month, which was determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

As at the Latest Practicable Date, Mr. Tan has options with the rights to subscribe for 37,000,000 Shares granted under the Share Option Scheme 2012.

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## LETTER FROM THE BOARD

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Save as disclosed above, as at the Latest Practicable Date, Mr. Tan does not:

- (a) have any relationship with any other director, senior management or substantial or controlling shareholder of the Company;
- (b) have any interest or is not deemed to have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong; and
- (c) hold any other position with the Company or any of its subsidiaries and did not hold any directorship in the last three years in any other public company, the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Tan has confirmed that there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in relation to his re-election.

### **Mr. Li Yu**

Mr. Li Yu was appointed as an independent non-executive director of the Board with effect from 26 June 2015. Pursuant to the Bye-laws, Mr. Li would hold office until the next general meeting of the Company and would be eligible for re-election at such meeting.

Mr. Li, aged 42, graduated from the department of Chinese linguistics of Xuzhou Normal University (徐州師範大學) in 1996. Mr. Li had been working as a journalist and editor in various multi-media institutions and companies. From 2007 to 2012, Mr. Li served as the deputy general manager in Guangzhou Jiadi Culture Communication Co., Ltd. (廣州佳帝文化傳播有限公司). Subsequently, Mr. Li focused on participating in social cultural development and investment management business. Mr. Li has extensive experience in corporate culture development, brand promotion as well as corporate sales and marketing management.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Li. Mr. Li is entitled to a director's fee of HK\$10,000 per month, which was determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Li has options with the rights to subscribe for 5,240,000 Shares granted under the Share Option Scheme 2012.

Save as disclosed above, as at the Latest Practicable Date, Mr. Li does not:

- (a) have any relationship with any other director, senior management or substantial or controlling shareholder of the Company;
- (b) have any interest or is not deemed to have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong; and
- (c) hold any other position with the Company or any of its subsidiaries and did not hold any directorship in the last three years in any other public company, the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Li has confirmed that there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in relation to his re-election.

### **SGM**

A SGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, (i) the Share Subscription Agreement and the transactions contemplated thereunder, (ii) the proposed re-election of the Relevant Directors, and (iii) the granting of the Specific Mandate. The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

Only Shareholders who do not have a material interest or who are not involved in or interested in the Share Subscription can vote on the aforesaid resolutions at the SGM. As such, China Bosum (being a party to the Share Subscription Agreement) and its associates, who are interested in 500,000,000 Shares as at the Latest Practicable Date, will abstain from voting on the aforesaid resolutions at the SGM. Save for China Bosum, there is no other Shareholder who has a material interest or who is involved in or interested in the Share Subscription, and thereby required to abstain from voting on the relevant resolutions at the SGM.

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## LETTER FROM THE BOARD

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Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll vote results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules. A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)). If you intend to appoint a proxy to attend the SGM, you are requested to complete and sign the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the SGM or any adjourned meeting if you so wish.

### RECOMMENDATIONS

The Directors consider that the terms of the Share Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors further consider that the re-election of Relevant Directors is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve (i) the Share Subscription Agreement and the transactions contemplated thereunder, (ii) the granting of the Specific Mandate, and (iii) the proposed re-election of the Relevant Directors.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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.

**As the Completion is subject to the fulfilment of the conditions precedent stated in the Share Subscription Agreement, the Share Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

Yours faithfully,  
By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Li Yang**  
*Deputy Chairman*

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## NOTICE OF THE SGM

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### CHINA BEST GROUP HOLDING LIMITED 國華集團控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of the shareholders of China Best Group Holding Limited (the “Company”) will be held at 11:00 a.m. on Monday, 18 January 2016 at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the Share Subscription Agreement (as defined in the circular of the Company dated 31 December 2015 (the “Circular”)) dated 15 September 2015, as amended and supplemented by the First Share Subscription Supplemental Agreement (as defined in the Circular) dated 26 October 2015 and the Second Share Subscription Supplemental Agreement (as defined in the Circular) dated 7 December 2015, respectively entered into between the Share Subscribers (as defined in the Circular), the Warrantors (as defined in the Circular) and the Company, pursuant to which the Share Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the Completion Date (as defined in the Circular), 2,000,000,000 new Shares (the “Subscription Shares”) for a total consideration of HK\$360,000,000 at HK\$0.18 per share of the Company under the Specific Mandate (as defined in the Circular), copies of which are tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, be hereby confirmed, approved and/or ratified;

\* For identification purpose only



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## NOTICE OF THE SGM

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- (b) the directors of the Company be and are hereby specifically authorised to allot and issue the Subscription Shares in accordance with the terms of the Share Subscription Agreement; and
- (c) any one director be and is hereby authorised to sign, execute, perfect and deliver all such other documents, deeds and instruments and do all such acts or things, as may be in his discretion consider necessary, desirable or expedient to give effect to the Share Subscription Agreement and the transactions contemplated in this resolution and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interest of the Company.”
2. “**THAT** the re-election of Mr. Tan Xiangdong as executive director of the Company be hereby approved.”
3. “**THAT** the re-election of Mr. Li Yu as independent non-executive director of the Company be hereby approved.”

By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Li Yang**  
*Deputy Chairman*

Hong Kong, 31 December 2015

*As at the date of this notice, the Board comprises three executive directors, namely Mr. Tan Xiangdong, Mr. Li Yang, Mr. Wang Jian and three independent non-executive directors, namely Mr. Chan Fong Kong Francis, Mr. Chen Zhenguang and Mr. Li Yu.*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

26/F, World-Wide House  
19 Des Voeux Road Central  
Central, Hong Kong

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## NOTICE OF THE SGM

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*Notes:*

1. In accordance with the relevant requirements under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and for good corporate governance practice, the Chairman of the Board has indicated that he would direct that each of the resolutions set out in the notice of the SGM be voted on by poll. The results of the poll will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)) respectively.
2. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy must be deposited at the Company’s branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. A form of proxy for use in connection with the SGM is enclosed and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)) respectively.