

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

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

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

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

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

## **HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED**

**和協海峽金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE, PROPOSED RE-ELECTION OF DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser**

**AMASSE CAPITAL**  
**寶 積 資 本**

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



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 42 of this circular.

A notice convening of the EGM of the Company to be held at Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong at 3:00 p.m. on 25 January 2016 is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

If you are not able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof should you so wish.

8 January 2016

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	16
<b>Letter from the Independent Financial Adviser</b> .....	18
<b>Appendix — General Information</b> .....	43
<b>Notice of EGM</b> .....	48

## DEFINITIONS

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

“Articles”	the articles of association of the Company and “Article” shall mean an article of the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for normal banking business during their normal business hours
“BVI”	British Virgin Islands
“Company”	Harmonic Strait Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Proposed Subscription contemplated under the Subscription Agreement
“Completion Date”	a Business Day within 15 Business Days following the date on which the conditions precedent under the Subscription Agreement are fulfilled or such other date as the Company, the Subscriber and Ms. Cheung may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of the Convertible Bonds of HK\$0.10 per Conversion Share, subject to adjustments
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company to the Subscriber upon the exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	zero coupon convertible bonds in a principal amount of HK\$100,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Directors”	the director(s) of the Company

## DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and Conversion Shares
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, which has been formed for the purpose of advising the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed 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 to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) Ms. Cheung and (ii) other Shareholders who have material interest in the Proposed Subscription
“Latest Practicable Date”	4 January 2016 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 January 2016 or 30th day after fulfilling the condition (ii) as set out in the section “Conditions precedent of the Subscription Agreement” in this circular, whichever is earlier, or any other later date as agreed by the Subscriber and the Company
“Ms. Cheung”	Ms. Cheung Kwan, a substantial shareholder of the Company as at the Latest Practicable Date and as guarantor to the Subscription Agreement

## DEFINITIONS

“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Proposed Subscription”	the proposed subscription of the Subscription Shares and the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Re-election of Directors”	the proposed re-election of Mr. Xie Li as an executive Director, Mr. Ho Chun Chung, Patrick as an independent non-executive Director, Mr. Zhang Huadi as an independent non-executive Director and Dr. Wang Edward Xu as a non-executive Director
“SFC”	The Securities and Futures Commission or any other body which assumes in whole or in part the powers and functions of the Securities and Futures Commission under the SFO
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to allot and issue the Subscription Shares and the Conversion Shares to be sought from the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Internet Finance Investment Co. Ltd., a company incorporated under the laws of BVI which is wholly owned by Ms. Cheung as at the Latest Practicable Date
“Subscription Agreement”	the conditional subscription agreement entered into between the Company, the Subscriber and Ms. Cheung in relation to the Proposed Subscription
“Subscription Price”	a subscription price of HK\$0.10 per Subscription Share
“Subscription Shares”	an aggregate of 1,000,000,000 new Shares to be subscribed by the Subscriber pursuant to the terms of the Subscription Agreement
“%”	per cent.

**LETTER FROM THE BOARD**

**HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED**

**和協海峽金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

*Executive Directors:*

Mr. Tong Nai Kan  
Mr. Wong Kwong Sum  
Mr. Xie Li  
Mr. Zhao Tieliu

*Registered office:*

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman, KY1-1104  
Cayman Islands

*Non-Executive Director:*

Dr. Wang Edward Xu

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

*Independent Non-Executive Directors:*

Mr. Cheung Wah Keung  
Mr. Anthony Espina  
Mr. Zhang Huadi  
Mr. Ho Chun Chung, Patrick

Unit B, 35/F.  
No. 169 Electric Road  
North Point  
Hong Kong

8 January 2016

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE,  
PROPOSED RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 5 November 2015 in relation to the Proposed Subscription. On 5 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber and Ms. Cheung pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue of 1,000,000,000 new Shares at the Subscription Price of HK\$0.10 per Subscription Share; and (ii) issue the Convertible Bonds in the principal amount of HK\$100,000,000, which entitle the holder(s) thereof to subscribe for up to 1,000,000,000 Conversion Shares at the initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments); and (iii) Ms. Cheung has agreed to guarantee the performance by the Subscriber of its obligations under the Subscription Agreement.

## **LETTER FROM THE BOARD**

The purpose of this circular is to provide you with, among other things, information on the Proposed Subscription, the Re-election of Directors and to give you a notice of the EGM at which the resolution(s) will be proposed to consider and, if thought fit, approve (i) the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the grant of the Specific Mandate to allot and issue the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds; and (ii) the Re-election of Directors.

### **THE SUBSCRIPTION AGREEMENT**

#### **Date**

5 November 2015

#### **Parties**

- (i) The Company
- (ii) The Subscriber
- (iii) Ms. Cheung (as guarantor)

As at the Latest Practicable Date, the Subscriber is wholly owned by Ms. Cheung who is a substantial shareholder of the Company and holds 1,450,000,000 Shares, representing approximately 19.68% of the total issued share capital of the Company. The Subscriber therefore is a connected person of the Company.

#### **The Proposed Subscription**

On 5 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber and Ms. Cheung pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue of 1,000,000,000 new Shares at the Subscription Price of HK\$0.10 per Subscription Share; (ii) issue the Convertible Bonds in the principal amount of HK\$100,000,000, which entitle the Subscriber to subscribe for up to 1,000,000,000 Conversion Shares at the initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments); and (iii) Ms. Cheung has agreed to guarantee the performance by the Subscriber of its obligations under the Subscription Agreement.

Upon Completion and assuming that the Convertible Bonds are converted in full at the initial Conversion Price, the Subscription Shares and the Conversion Shares to be issued represent (i) approximately 27.14% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 21.35% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares and the Conversion Shares.

The aggregate nominal value of the Subscription Shares and Conversion Shares (with a par value of HK\$0.10 each) will be HK\$200,000,000.

## LETTER FROM THE BOARD

### **The Subscription Price and the Conversion Price**

The Subscription Price of HK\$0.10 per Subscription Share is equivalent to the initial Conversion Share of HK\$0.10 per Conversion Share, which represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.14 per Share quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 28.06% to the average closing price of HK\$0.139 per Share quoted on the Stock Exchange for the last five trading days for the Shares immediately prior to date of the Subscription Agreement;
- (iii) a discount of approximately 28.06% to the average closing price of HK\$0.139 per Share quoted on the Stock Exchange for the last ten trading days for the Shares immediately prior to date of the Subscription Agreement;
- (iv) a premium of approximately 150% over the unaudited consolidated net asset value attributable to shareholders of the Company per Share of approximately HK\$0.04, based on the unaudited net asset value attributable to shareholders of the Company of approximately HK\$324,125,000 as at 30 June 2015 and the number of Shares in issue of 7,368,072,000 Shares as at the Latest Practicable Date; and
- (v) a discount of approximately 9.09% to the closing price of HK\$0.11 per Share quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price and the Conversion Price were arrived at after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares, the unsatisfactory operating performance of the Company in recent financial years and the unaudited net asset value of the Group as at 30 June 2015. The Directors consider that the Subscription Price and the Conversion Price are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **Conditions precedent of the Subscription Agreement**

Completion is conditional upon satisfaction of the following conditions:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares;
- (ii) the approval by the Independent Shareholders at the EGM for the Subscription Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the Conversion Shares; and
- (iii) the warranties given by the Subscriber under the Subscription Agreement remaining true and accurate, not misleading and there is no material omission.



## LETTER FROM THE BOARD

The Subscriber is entitled to terminate the Subscription Agreement before the Completion Date by written notice when there is occurrence of any material change or deterioration in the conditions of local, national or international securities markets.

In the event that the above conditions are not fulfilled on or before the Long Stop Date or the Subscriber has sent termination notice to the Company, the Subscription Agreement will cease and determine and all rights and obligations under the Subscription Agreement will be terminated save for any antecedent breach.

### **Completion**

Subject to the fulfillment of the conditions precedent under the Subscription Agreement, the Completion will take place on the Completion Date.

### **Mandate to issue the Subscription Shares and the Conversion Shares**

The Subscription Shares and the Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

### **Ranking of the Subscription Shares and the Conversion Shares**

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares and the Conversion Shares.

### **Application for Listing**

The Company will apply to the Listing Committee for the listing of and permission to deal in the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

### **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

Principal amount	: HK\$100,000,000.
Issue price	: 100% of the principal amount.
Maturity date	: The date falling on the second anniversary of the date of issue of the Convertible Bonds (the “ <b>Maturity Date</b> ”).
Interest rate	: Nil
Conversion rights	: The bondholder will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at any time and from time to time, between the date of issue of the Convertible Bonds, and up to the Maturity Date.

## LETTER FROM THE BOARD

- Conversion Price : The initial Conversion Price is HK\$0.10 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the Convertible Bonds.
- Adjustment to Conversion Price : The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:
- (i) consolidation or subdivision of the Shares;
  - (ii) capitalisation of profits or reserves;
  - (iii) capital distribution; and
  - (iv) offer of new Shares for subscription by way of rights, or issue or grant options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price per Share.
- Conversion Shares : Based on the initial Conversion Price of HK\$0.10 per Conversion Share, a maximum of 1,000,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full.
- The Conversion Shares, when issued, will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of the Conversion Shares.
- Redemption : The Company shall redeem each Convertible Bond then outstanding at a value equal to the aggregate principal amount then outstanding on the Maturity Date.
- Transferability : Subject to the Listing Rules, the grant of approval for the listing and permission to deal in the Conversion Shares and other relevant approvals and requirements, the Convertible Bonds are freely transferable by the bondholders.
- Voting rights : A bondholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a bondholder.
- Listing : The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

## LETTER FROM THE BOARD

No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange and any other stock exchange.

- Ranking : The Convertible Bonds constitute unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and all existing and future unsubordinated and unsecured obligations of the Company.
- Events of default : After the occurrence of an event of default as specified in the terms and conditions of the Convertible Bonds, a bondholder may give notice to the Company that the Convertible Bonds are immediately due and payable.

### REASONS FOR THE PROPOSED SUBSCRIPTION AND USE OF PROCEEDS

Currently, the Group is principally engaged in the credit guarantee and investment business in the PRC and trading business in Hong Kong.

In order to expand the sources of income and prospects of the Group, the Group is currently actively seeking possible investment opportunities which are related to the Group's existing businesses. The Group has recently entered into a sale and purchase agreement to acquire a company licensed under the Securities and Futures Ordinance to carry on the regulated activities of advising on securities and asset management. Currently, the Group is in discussion with internet companies in the PRC to develop internet finance related businesses through acquisition, strategic cooperation or otherwise, and is also negotiating with a fund management company in the PRC to explore a strategic cooperation in setting up a fund and/or involving in fund management service in the PRC.

Upon the Completion, the gross proceeds from the Proposed Subscription will be HK\$200,000,000. The net proceeds from the Proposed Subscription, after deducting related expenses in connection with the Proposed Subscription, are estimated to be approximately HK\$199,000,000, representing a net issue price of approximately HK\$0.0995 per Share to be issued under the Proposed Subscription.

The Company intends to use the net proceeds from the Proposed Subscription as to:

- (i) approximately HK\$13 million for the acquisition of a company licensed under the SFC with Type 4 (advising on securities) and Type 9 (asset management) licences. The Company has entered into a sale and purchase agreement with the vendor on 2 December 2015 for such acquisition;
- (ii) approximately HK\$70 million will be used as capital to expand the asset management business as stated above;

## LETTER FROM THE BOARD

- (iii) approximately HK\$32 million for the acquisition of a company licensed under the SFC with Type 1 licence (dealing in securities). A memorandum of understanding has been entered into with the vendor on 9 December 2015 and the Company is in the process of drafting a formal sale and purchase agreement. The Group plans to use approximately HK\$80 million from the net proceeds to develop the securities firm such as increase the capital bases so as to expand the margin business of it. If the acquisition of the company licensed under the SFC with Type 1 licence (dealing in securities), for whatever reasons, could not be materialised, the Company would adjust the proceeds from the Proposed Subscription to the fund management business in the PRC. The Company has recently obtained the Private Investment Fund Manager Registration (私募投資基金管理人登記證明) granted by the Asset Management Association of China (中國證券投資基金業協會). The Company plans to set up an investment fund and will use the proceed as seed money; and
- (iv) approximately HK\$4 million as general working capital and/or for future acquisitions.

The Directors consider that the Proposed Subscription will strengthen the Company's capital base and financial position, and the terms of the Subscription Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and assuming none of the Convertible Bonds is converted; and (iii) upon Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price:

	At the Latest Practicable Date		Upon Completion and assuming none of the Convertible Bonds is converted		Upon Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Tong Nai Kan (Note 1)	64,000,000	0.87	64,000,000	0.76	64,000,000	0.68
The Subscriber (Note 2) and/or Ms. Cheung	1,450,000,000	19.68	2,450,000,000	29.28	3,450,000,000	36.83
Other public Shareholders	<u>5,854,072,000</u>	<u>79.45</u>	<u>5,854,072,000</u>	<u>69.96</u>	<u>5,854,072,000</u>	<u>62.49</u>
<b>Total</b>	<b><u><u>7,368,072,000</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>8,368,072,000</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>9,368,072,000</u></u></b>	<b><u><u>100.00</u></u></b>

## LETTER FROM THE BOARD

*Notes:*

1. Mr. Tong Nai Kan is an executive Director.
2. The Subscriber is wholly owned by Ms. Cheung.

### EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities of the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Description	Net proceeds raised (approximate)	Intended use of proceeds	Actual use of net proceeds (approximate)
24 February 2015	Placing of new shares under specific mandate	HK\$395 million	(i) HK\$102 million for the convertible bonds repayment;  (ii) HK\$141.5 million for the settlement of the outstanding amount of the loans including the interests; and  (iii) the remaining for development of the existing financing platform.	(i) HK\$102 million for the convertible bonds repayment;  (ii) HK\$147.5 million for the settlement of the outstanding amount of the loans including the interests; and  (iii) HK\$30 million was applied to the acquisition of a financing platform and the remaining HK\$115.5 million was applied as the working capital for development of the financing platform and general use of the Group.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is wholly owned by Ms. Cheung who is a substantial shareholder of the Company and holds 1,450,000,000 Shares, representing approximately 19.68% of the total issued share capital of the Company. The Subscriber therefore is a connected person of the Company for the purpose of chapter 14A of the Listing Rules. Accordingly, the Proposed Subscription constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

As Ms. Cheung has a material interest in the Subscription Agreement and the transactions contemplated thereunder, Ms. Cheung and her associates will therefore abstain from voting on the resolution(s) to be proposed at the EGM for approving, among other things, the Subscription Agreement and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

### RE-ELECTION OF DIRECTORS

Pursuant to Article 114 of the Articles, the Board shall have power from time to time and any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Mr. Xie Li has been appointed as a non-executive Director with effect from 24 July 2015 and has been re-designated as an executive Director with effect from 26 October 2015, Mr. Ho Chun Chung, Patrick and Mr. Zhang Huadi have been appointed as independent non-executive Directors with effect from 10 July 2015 and Dr. Wang Edward Xu has been appointed as a non-executive Director with effect from 27 October 2015. In accordance with the above-mentioned Article, the said four Directors will retire and, being eligible, will offer themselves for re-election at the EGM.

Particulars of the said four Directors are set out as follows:

**Mr. Xie Li** (“**Mr. Xie**”), aged 51, has over 20 years of experience in finance and asset management. He holds the master degrees from University of Reading in United Kingdom and University of Ottawa in Canada respectively.

Mr. Xie has not entered into any director’s service contract with the Company and shall retire and be subject to re-election in the forthcoming general meeting. The annual emoluments payable to Mr. Xie is HK\$3,000,000 subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Xie.

Save as disclosed above, Mr. Xie has not held any other directorships in public companies listed in Hong Kong or any other major exchanges in the last three years preceding the Latest Practicable Date. In addition, Mr. Xie does not hold any other position with the Company or other members of the Group.

As at the Latest Practicable Date, Mr. Xie does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Xie has no relationships with any directors, senior management or substantial or controlling shareholder of the Company. Save as disclosed above, there is no information in relation to the re-election of Mr. Xie that is required to be disclosed pursuant to any of the requirements of Rule 13.51 (2)(h) to (v) of the Listing Rules and no matter that needs to be brought to the attention of the Shareholders.

**Mr. Ho Chun Chung, Patrick** (“**Mr. Ho**”), aged 51, is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants. Mr. Ho obtained from the City University of Hong Kong a master degree in Finance in 1996 and a postgraduate diploma in banking and finance in 1992. Mr. Ho served as the financial controller for Gold Peak Industries (Holdings) Ltd. (the shares of which are listed on the main board of the Stock Exchange (stock code: 40)) in 1999 and Chen Hsong Holdings Limited (the shares of which are listed on the main board of

## LETTER FROM THE BOARD

the Stock Exchange (stock code: 57)) from 2002 to 2005. Currently, Mr. Ho is an independent non-executive director of Kith Holdings Limited (Stock Code: 1201) which shares are listed on the Main Board of the Stock Exchange.

Mr. Ho has entered into one year director's service contract with the Company and shall retire and be subject to re-election in the forthcoming general meeting. The annual emolument payable to Mr. Ho is HK\$180,000, subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Ho.

Save as disclosed above, Mr. Ho has not held any other directorships in public companies listed in Hong Kong or any other major exchanges in the last three years preceding the Latest Practicable Date. In addition, Mr. Ho does not hold any other position with the Company or other members of the Group.

As at the Latest Practicable Date, Mr. Ho does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Ho has no relationships with any directors, senior management or substantial or controlling shareholder of the Company. Save as disclosed above, there is no information in relation to the re-election of Mr. Ho that is required to be disclosed pursuant to any of the requirements of Rule 13.51 (2)(h) to (v) of the Listing Rules and no matter that needs to be brought to the attention of the Shareholders.

**Mr. Zhang Huadi** (“**Mr. Zhang**”), aged 48, obtained a Bachelor of Law Degree from East China University of Political Science and Law in 1996. Mr. Zhang has worked as the judge of the Court and the legal profession over 20 years and possesses strong legal experience especially in the fields of economics and commercial as well as the corporate restructuring aspects. Currently, he is a partner of a law firm in Shanghai.

Mr. Zhang has entered into one year director's service contract with the Company and shall retire and be subject to re-election in the forthcoming general meeting. The annual emolument payable to Mr. Zhang is HK\$180,000, subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Zhang.

Save as disclosed above, Mr. Zhang has not held any other directorships in public companies listed in Hong Kong or any other major exchanges in the last three years preceding the Latest Practicable Date. In addition, Mr. Zhang does not hold any other position with the Company or other members of the Group.

As at the Latest Practicable Date, Mr. Zhang does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Zhang has no relationships with any directors, senior management or substantial or controlling shareholder of the Company. Save as disclosed above, there is no information in relation to the re-election of Mr. Zhang that is required to be disclosed pursuant to any of the requirements of Rule 13.51 (2)(h) to (v) of the Listing Rules and no matter that needs to be brought to the attention of the Shareholders.

## LETTER FROM THE BOARD

**Dr. Wang Edward Xu** (“**Dr. Wang**”), aged 51, graduated from the Peking University. He received a master’s degree from the Chinese Academy of Sciences, and a doctorate degree from Yale University. He had worked in a number of well-known United States software and internet companies and was responsible for the software development and the technical management. He is experienced on the development and the management of software and internet projects.

Dr. Wang has entered into one year director’s service contract with the Company and shall retire and be subject to re-election in the forthcoming general meeting. The annual emoluments payable to Dr. Wang is HK\$240,000 subject to annual adjustment to be determined by the board of the Company with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Dr. Wang.

Save as disclosed above, Dr. Wang has not held any other directorships in public companies listed in Hong Kong or any other major exchanges in the last three years preceding the Latest Practicable Date. In addition, Dr. Wang does not hold any other position with the Company or other members of the Group.

As at the Latest Practicable Date, Dr. Wang does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Dr. Wang has no relationships with any directors, senior management or substantial or controlling shareholder of the Company. Save as disclosed above, there is no information in relation to the re-election of Dr. Wang that is required to be disclosed pursuant to any of the requirements of Rule 13.51 (2)(h) to (v) of the Listing Rules and no matter that needs to be brought to the attention of the Shareholders.

### **EGM**

A notice convening of the EGM of the Company to be held at Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong at 3:00 p.m. on 25 January 2016 is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you plan able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, save for Ms. Cheung, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and Ms. Cheung and her associates will abstain from voting on the resolution for approving the Subscription Agreement and the transactions contemplated thereunder. As such, no other Shareholder will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and any vote exercised by the Independent Shareholders taken at the EGM shall be taken by way of poll.



## LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Re-election of Directors and no Shareholder will be required to abstain from voting on the resolutions to approve the Re-election of Directors.

An announcement on the results of the EGM will be made by the Company after the conclusion of the EGM in accordance with the Listing Rules.

### GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

**The Completion is conditional upon satisfaction of certain conditions precedent under the Subscription Agreement and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.**

### RECOMMENDATIONS

The Board considers that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole. The Board also considers that the Re-election of Directors is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Re-election of Directors at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular, the letter from the Independent Financial Adviser set out on pages 18 to 42 of the circular, which contain their advices in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder and the information set out in the appendix of this circular.

Yours faithfully  
By Order of the Board  
**Harmonic Strait Financial Holdings Limited**  
**Tong Nai Kan**  
*Executive Director*

**HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED**

**和協海峽金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

8 January 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 8 January 2016 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board on pages 4 to 15 of the Circular, which sets out details of the Subscription Agreement and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 18 to 42 of the Circular, which contains their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the terms of the Subscription Agreement and the advice and recommendation of the Independent Financial Adviser, we consider that the Subscription Agreement are on normal commercial terms and that such terms are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the Subscription Agreement and the transactions contemplated thereunder (including the Proposed Subscription) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the Conversion Shares).

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Cheung Wah Keung**

*Independent Non-executive Director*

**Mr. Anthony Espina**

*Independent Non-executive Director*

**Mr. Zhang Huadi**

*Independent Non-executive Director*

**Mr. Ho Chun Chung, Patrick**

*Independent Non-executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

8 January 2016

*To: The Independent Board Committee and the Independent Shareholders  
of Harmonic Strait Financial Holdings Limited*

Dear Sir/Madam,

### **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 8 January 2016 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 5 November 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber and Ms. Cheung pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue of 1,000,000,000 new Shares at the Subscription Price of HK\$0.10 per Subscription Share; and (ii) issue the Convertible Bonds in the principal amount of HK\$100,000,000, which entitle the holder(s) thereof to subscribe for up to 1,000,000,000 Conversion Shares at the initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments); and (iii) Ms. Cheung has agreed to guarantee the performance by the Subscriber of its obligations under the Subscription Agreement.

Upon Completion and assuming that the Convertible Bonds are converted in full at the initial Conversion Price and there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion, the Subscription Shares and the Conversion Shares to be issued represent (i) approximately 27.14% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 21.35% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares and the Conversion Shares. The Subscription Shares and the Conversion Shares will be issued under the Specific Mandate and will rank pari passu with the existing Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Subscriber is wholly owned by Ms. Cheung who is a substantial shareholder of the Company and holds 1,450,000,000 Shares, representing approximately 19.68% of the total issued share capital of the Company, and hence, the Subscriber is a connected person of the Company for the purpose of chapter 14A of the Listing Rules. Accordingly, the Proposed Subscription constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules. The EGM will be held and convened for the Independent Shareholders to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder. In accordance with the Listing Rules, any Shareholder who has a material interest in the Proposed Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, save for Ms. Cheung and her associates, no Shareholder has a material interest in the Proposed Subscription and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Zhang Huadi and Mr. Ho Chun Chung, Patrick, has been established to advise the Independent Shareholders in relation to the Proposed Subscription.

We, Messis Capital Limited, have been appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to (i) whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in 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 the independent financial adviser to the independent board committee and the independent shareholders of the Company for any transaction. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the EGM. 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.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating and giving our independent advice and recommendation in respect of the Subscription Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Proposed Subscription**

##### *Information on the Group*

The Group is principally engaged in credit guarantee and investment business in the PRC, the trading of party products business and trading of metal and mineral business.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the audited financial information of the Group for the two years ended 31 December 2014 and the unaudited financial information of the Group for the six months ended 30 June 2015, as extracted from the annual report (“**2014 Annual Report**”) of the Company for the year ended 31 December 2014 and the interim report (“**2015 Interim Report**”) of the Company for the six months ended 30 June 2015, respectively.

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	144,829	130,365	53,919	33,984
Gross Profit	12,129	15,356	1,972	4,129
Loss for the year/period	(97,425)	(77,547)	(38,324)	(32,274)
Loss attributable to owners of the Company	(96,663)	(75,131)	(38,258)	(32,229)

The following table summarises the consolidated financial positions of the Group as at 31 December 2013, 2014 and 30 June 2015, which are extracted from the 2014 Annual Report and 2015 Interim Report:

	<b>As at 31 December 2013</b>	<b>As at 31 December 2014</b>	<b>As at 30 June 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	13,261	4,864	5,408
Current assets	242,044	220,873	456,157
— Cash and cash equivalent	135,311	55,143	336,525
Current liabilities	189,225	249,287	120,806
— Interest bearing bank borrowings	4,953	1,125	—
Non-current liabilities	81,853	1,433	382
Net asset/(liability) value	(15,773)	(24,983)	340,377

As noted from the table above, the Group recorded a turnover of approximately HK\$130.4 million for the year ended 31 December 2014, representing a decrease of approximately 9.9% as compared to the year ended 31 December 2013 of approximately HK\$144.8 million. We note from the 2014 Annual Report that such decrease in turnover was mainly due to the reduction of customer orders of trading of party products business because of various unfavourable operating aroused from previous years. The Group recorded a loss attributable to owners of the Company of approximately HK\$75.1 million for the year ended 31 December 2014 as compared to the year ended 31 December 2013

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of approximately HK\$96.7 million. We note from the 2014 Annual Report that such improvement was mainly due to the gain of approximately HK\$1.3 million resulting from the disposal of its financial planning services business, the decrease in operating expenses of approximately HK\$23.3 million (2013: approximately HK\$31.9 million) and the improvement in the Group's gross profit of approximately HK\$15.4 million (2013: approximately HK\$12.1 million) during the year ended 31 December 2014.

According to the 2015 Interim Report, the Group recorded a turnover of approximately HK\$34.0 million for the six months ended 30 June 2015, representing a decrease of approximately 37.0% as compared to the previous corresponding period of approximately HK\$53.9 million whereas the Group's gross profit increased from approximately HK\$1.9 million for the six months ended 30 June 2014 to approximately HK\$4.1 million for the six months ended 30 June 2015. The decrease in turnover was mainly due to market shrink of the trading and manufacturing business of the party products whereas the increase in gross profit was contributed by its credit guarantee and investment business. As a result, the Group recorded a loss attributable to owners of the Company of approximately HK\$32.2 million for the six months ended 30 June 2015 as compared to the previous corresponding period of approximately HK\$38.3 million.

Furthermore, the Group was in net liabilities position amounted to approximately HK\$15.8 million and HK\$25.0 million as at 31 December 2013 and 2014, respectively. As at 31 December 2014, the Group's total bank borrowings amounted to approximately HK\$1.1 million whereas the bank borrowings amounted to approximately HK\$5.0 million in 2013. All of the Group's bank borrowings were denominated in Hong Kong dollars. The cash and cash equivalents of the Group has decreased from approximately HK\$135.3 million as at 31 December 2013 to approximately HK\$55.1 million as at 31 December 2014, representing a decrease of approximately 59.3%.

As at 30 June 2015, the Group restored to a positive net asset value position amounted to approximately HK\$340.4 million. With the completion of placing of new Shares under specific mandate which raised net proceeds of approximately HK\$395 million in May 2015, the cash and cash equivalents of the Group increased from approximately HK\$55.1 million as at 31 December 2014 to approximately HK\$336.5 million as at 30 June 2015. As at 30 June 2015, the Group has no outstanding bank borrowing.

Based on the above, we note that the Group has been improving its financial position and successfully turned into a net asset position from a net liability position over the past two years.

### *Information on the Subscriber*

According to the Board Letter, the Subscriber, Internet Finance Investment Co. Ltd., a company incorporated under the laws of BVI, is wholly owned by Ms. Cheung as at the Latest Practicable Date. As at the Latest Practicable Date, Ms. Cheung is a substantial shareholder of the Company and thus, the Subscriber is a connected person of the Company under the Listing Rules.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financing alternatives available to the Group*

Set out below are the equity fund raising activities announced by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Description	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of net proceeds (approximately)
24 February 2015	Placing of new shares under specific mandate	HK\$395 million	<ul style="list-style-type: none"> <li>(i) HK\$102 million for the convertible bonds repayment;</li> <li>(ii) HK\$141.5 million for the settlement of the outstanding amount of the loans including the interests; and</li> <li>(iii) The remaining for development of the existing financing platform</li> </ul>	<ul style="list-style-type: none"> <li>(i) HK\$102 million for the convertible bonds repayment;</li> <li>(ii) HK\$147.5 million for the settlement of the outstanding amount of the loans including the interests; and</li> <li>(iii) HK\$30 million was applied to the acquisition of a financing platform and the remaining HK\$115.5 million was applied as the working capital for development of the financing platform and the general use of the Group</li> </ul>

Save as disclosed above, the Company has not conducted any other equity fund raising exercises during the 12 months immediately preceding the Latest Practicable Date. We note from the announcement of the Company dated 29 May 2015 in relation to the completion of the placing of new Shares under specific mandate as aforementioned, the 1,450,000,000 placing Shares as placed by the placing agent to Ms. Cheung represented approximately 19.66% of the enlarged total issued share capital of the Company immediately upon completion of such placing.

For our due diligence purpose, we have enquired and were informed by the Directors that the Group had considered various alternatives for the Group to raise funds, including but not limited to, debt financing and equity financing. In respect of debt financing, the Directors are of the view that the bank loan application may be subject to lengthy due diligence and negotiations with banks and the debt financing will inevitably incur additional finance costs to the Group, which may have adverse impacts on the financial performance of the Group. In respect of pre-emptive issues (such as rights issue and open offer), usually incur higher costs, which include underwriting commissions, documentation preparation costs and professional fees. In respect of equity financing, the Group has conducted placing of new Shares under specific mandate which was announced by the Company on 24 February 2015. In this regard, the Board had further evaluated the possibilities of carrying out further fund raising through placing of new shares or open offer.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the fact that (i) the loss making financial position of the Group and the uncertainties in recent stock market might cause huge difficulties in reaching enough acceptances and the Group may not be able to identify any underwriter(s), (ii) the potential substantial underwriting costs for a rights issue or an open offer as compared to the Proposed Subscription; and (iii) the Company may have difficulties in finding an underwriter to underwrite the rights issue or open offer given the loss position of the Company, we consider the Proposed Subscription to be a better financing alternative over other forms of equity financing as discussed above. As such, we concur with the Directors' view that the Proposed Subscription is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### *Reasons for the Proposed Subscription and use of proceeds*

With reference to the Board Letter, the gross proceeds from the Proposed Subscription will be HK\$200,000,000 upon the Completion. Net proceeds from the Proposed Subscription, after deducting related expenses in connection with the Proposed Subscription, are estimated to be approximately HK\$199,000,000, representing a net issue price of approximately HK\$0.0995 per Share to be issued under the Proposed Subscription.

The Company intends to use the net proceeds from the Proposed Subscription as to: (i) approximately HK\$13 million for the acquisition of a company licensed under the SFC with Type 4 (advising on securities) and Type 9 (asset management) licences; (ii) approximately HK\$70 million will be used as capital to expand the asset management business as stated above; (iii) approximately HK\$32 million for the acquisition of a company licensed under the SFC with Type 1 licence (dealing in securities). The Group plans to use approximately HK\$80 million from the net proceeds to develop the securities firm such as increase the capital bases so as to expand the margin business of it. If the acquisition of the company licensed under the SFC with Type 1 licence (dealing in securities), for whatever reasons, could not be materialised, the Company would adjust the proceeds from the Proposed Subscription to the fund management business in the PRC; and (iv) approximately HK\$4 million as general working capital and/or for future acquisitions. For further details in relation to the use of proceeds, please refer to the paragraph headed "Reasons for the Proposed Subscription and use of proceeds" in the Board Letter.

According to the 2014 Annual Report, the management will develop its existing financing platform to widen the scope of the provision of financial services and be actively seeking for any possible investment opportunities in order to expand the source of income and prospects of the Company. Further to the 2015 Interim Report, the Group now has tried to widen its existing financing platform in the PRC; and the Group will continually explore any business opportunities to expand the source of revenue and enhance the Group's profitability and will try to finance them both internally and externally to satisfy any additional capital requirements.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, the Group has entered into a sale and purchase agreement with the vendor on 2 December 2015 for acquisition of a licensed corporation under the SFO to carry out Type 4 (advising on securities) and type 9 (asset management) regulated activities. In addition, on 9 December 2015 the Group entered into a memorandum of understanding with another vendor for acquisition of a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity.

With reference to the “*Half-Yearly Monetary and Financial Stability Report*” published by the Hong Kong Monetary Authority in September 2015 with review period between the end of February 2015 and the end of August 2015, the report suggests that the equity market has experienced significant swings during the period, but the long-term outlook of the equity market remains positive and the market growth will maintain at a gentle rate given the increased economic and policy uncertainties. The report also suggests that local equity market is expected to benefit from the launch of the Shanghai-Hong Kong Stock Connect in the medium term. Since the Shanghai-Hong Kong Stock Connect enables mutual market access by investors in the two markets, the market’s investor base of Hong Kong’s stock market is expected to be broadened and the Hong Kong market’s liquidity is expected to be enhanced.

Furthermore, according to the market and industry statistics published by the SFC, the number of licensed corporations for carrying out Type 4 (advising on securities) and Type 9 (asset management) regulated activities were 964 and 1,107 as at the end of September 2015 respectively, representing a growth of approximately 4.7% and 9.4% respectively as compared with the same period of 2014. As at the end of September 2015, the number of licensed corporations for carrying out Type 1 (dealing in securities) regulated activity was 1,003, representing an increase of approximately 3.3% as compared with the same period of 2014. In addition, the total number of active licensed corporations to engage in margin business was 220,421 as at 30 June 2015, representing an increase of approximately 21.4% as compared with that as at the end of 2014.

We have made enquires towards the Directors and are advised that the Directors consider that the acquisition of such licensed corporations currently hold the licenses, would save the time and costs as compared to setting up a new company to engage in similar business. Under the SFO, any corporation carrying on regulated activities has to be licensed with the SFC. To this end, the applicant is required, among other things, to maintain the minimum paid-up capital and liquid capital for each type of regulated activities and appoint not less than two responsible officers (the “**ROs**”) to directly supervise the conduct of each type of regulated activities. If the Company had decided to set up a new company itself, it is anticipated that substantial amount of time and efforts would be applied for the required licenses for carrying on the business. Furthermore, there is no guarantee that the Company will be able to obtain such licenses even after spending substantial amount of time and effort. As the companies are the licensed corporation under the SFO, we consider that the acquisition of the licensed corporation (vis-à-vis setting up a new company by itself) would minimise any risk of the Group being unable to obtain any license by itself and ensure that such business would be able to operate without any disruption, and therefore is in the interest of the Group and the Shareholders. We have also obtained the memorandum of understanding and the sale and purchase agreement

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

entered into between the vendors and the Company and note that the vendors shall procure at least two of the three existing ROs to remain as the ROs of such company for a term of not less than 6 months after completion of the acquisition. As advised by the Directors, Mr. Tong Nai Kan (“**Mr. Tong**”), an executive Director, who has over 20 years of experience in finance and asset management, will also be responsible for overall management of the Company’s finance and asset management businesses if the transaction materialises.

Further to the Board Letter, the Group has in discussion with a fund management company in the PRC to explore a strategic cooperation in setting up a fund and/or involving in fund management service in the PRC. We note that, if the acquisition of the licensed corporation under the SFO with type 1 (dealing in securities) licence, for whatever reasons, could not be materialised, the Company would adjust the proceeds from the Proposed Subscription to the fund management business in the PRC.

According to the statistics issued by the Asset Management Association of China, the investment in private equity funds in the PRC increased from approximately RMB1,219.2 billion as of 31 December 2013 to approximately RMB2,145.8 billion as of 31 December 2014, representing an increase of approximately 76.0% year-on-year. As of 30 September 2015, the total private equity fund investment amounted to approximately RMB4,770.0 billion, representing an increase of approximately 122.3% as compared with that at the end of 2014. In order to benefit from the rapid growth of the fund management business in PRC, the Company has been granted the Private Investment Fund Manager Registration Certificate (私募投資基金管理人登記證明) by the Assets Management Association of China (中國證券投資基金協會) and is registered to engage in the business of private investment fund management, venture capital fund investment and other fund investments in the PRC. As advised by the Directors, we are given to understand that Mr. Tong, an executive Director, who has over 20 years of experience in investment in various businesses in the PRC, and Mr. Tong will be responsible for the overall management of the fund management company in the PRC. In view of the foregoing, we consider that the use of proceeds from the Proposed Subscription can be managed by the Company in an active manner, and the possible acquisition can be subject to further disclosure and necessary requirements under the Listing Rules as well as monitoring and approval (if applicable) by the Shareholders.

Taking into account (i) the intended use of proceeds is in line with the business strategy of the Group, (ii) the further development of financial and asset management businesses, in particular the margin business, generally require additional capital amount to maintain minimum paid-up share capital and liquid capital, (iii) the management of the Group has sufficient knowledge and expertise to develop the financial and asset management businesses as well as the private equity industry in the PRC; and (iv) the Company has been granted the Private Investment Fund Manager Registration Certificate (私募投資基金管理人登記證明) to engage in the business of private investment fund management, venture capital fund investment and other fund investments in the PRC, we concur with the Directors’ view that the Proposed Subscription will strengthen the Company’s capital base and financial position as so to facilitate the future business development of the Group and the reasons for the Proposed Subscription to be justifiable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to (i) allot and issue of 1,000,000,000 new Shares at the Subscription Price of HK\$0.10 per Subscription Share; (ii) issue the Convertible Bonds in the principal amount of HK\$100,000,000, which entitled the Subscriber to subscribe for up to 1,000,000,000 Conversion Shares at the initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments); and (iii) Ms. Cheung agreed to guarantee the performance by the Subscriber of its obligations under the Subscription Agreement.

Upon Completion and assuming that the Convertible Bonds are converted in full at the initial Conversion Price, the Subscription Shares and the Conversion Shares to be issued represent (i) approximately 27.14% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 21.35% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares and the Conversion Shares.

The aggregate nominal value of the Subscription Shares and Conversion Shares (with a par value of HK\$0.10 each) will be HK\$200,000,000.

#### *Principal Terms of the Convertible Bonds*

The principal terms of the Convertible Bonds are summarised as follows:

Principal amount	:	HK\$100,000,000
Interest	:	Nil
Maturity	:	The date falling on the second anniversary of the date of issue of the Convertible Bonds.
Conversion Shares	:	Based on the initial Conversion Price of HK\$0.10 per Conversion Share, a maximum of 1,000,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full. The Conversion Shares, when issued, will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of the Conversion Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Redemption : The Company shall redeem each Convertible Bond then outstanding at a value equal to the aggregate principal amount then outstanding on the Maturity Date.
- Conversion Price : The initial Conversion Price is HK\$0.10 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the Convertible Bonds.
- Adjustment to Conversion Price : The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events:
- (i) consolidation or subdivision of the Shares;
  - (ii) capitalisation of profits or reserves;
  - (iii) capital distribution; and
  - (iv) offer of new Shares for subscription by way of rights, or issue or grant options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price per Share.

As stated in the Board Letter, the principal terms of the Subscription Agreement were arrived at after arm's length negotiations between the Company and the Subscriber, having considered, amongst others, the market situation immediately prior to the entering into of the Subscription Agreement and the loss making position of the Group for the two years ended 31 December 2014. For further details of the major terms of the Convertible Bonds, please refer to the Board Letter.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *The Subscription Price and the Conversion Price*

The Subscription Price of HK\$0.10 per Subscription Share is equivalent to the initial Conversion Share of HK\$0.10 per Conversion Share, which represents:

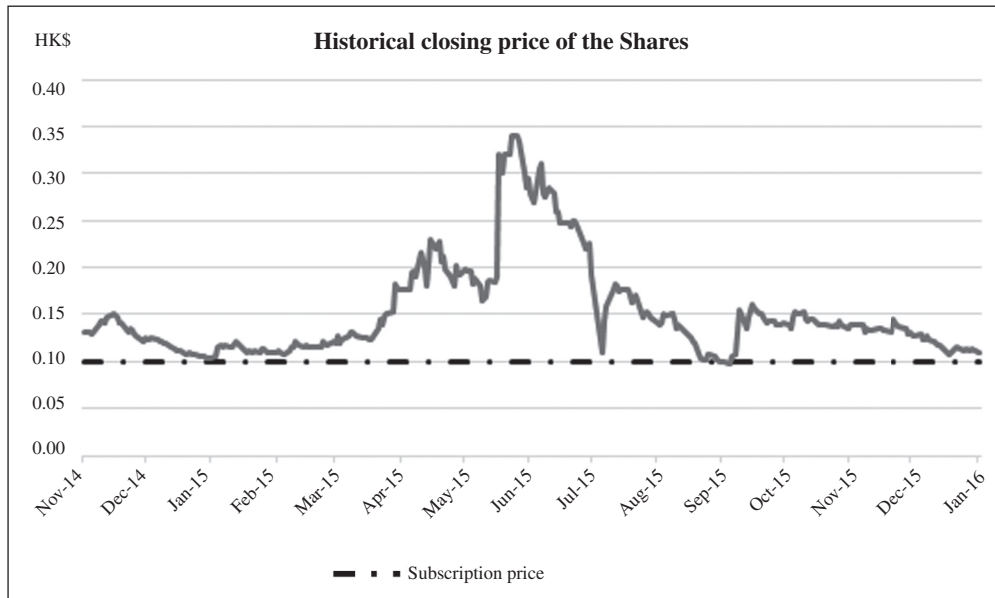
- (a) a discount of approximately 28.57% to the closing price of HK\$0.14 per Share quoted on the Stock Exchange on the date of the Subscription Agreement;
- (b) a discount of approximately 28.06% to the average closing price of HK\$0.139 per Share quoted on the Stock Exchange for the last five trading days for the Shares immediately prior to date of the Subscription Agreement;
- (c) a discount of approximately 28.06% to the average closing price of HK\$0.139 per Share quoted on the Stock Exchange for the last ten trading days for the Shares immediately prior to date of the Subscription Agreement;
- (d) a premium of approximately 150% over the unaudited consolidated net asset value attributable to shareholders of the Company per Share of approximately HK\$0.04, based on the unaudited net asset value attributable to shareholders of the Company of approximately HK\$324,125,000 as at 30 June 2015 and the number of Shares in issue of 7,368,072,000 Shares as at the Latest Practicable Date; and
- (e) a discount of approximately 9.09% to the closing price of HK\$0.11 per Share quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price and the Conversion Price were arrived at after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares, the unsatisfactory operating performance of the Company in recent financial years and the unaudited net asset value of the Group as at 30 June 2015. The Directors consider that the Subscription Price and the Conversion Price are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Review on historical price of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in closing price of the Shares for the 14 months period commencing from 1 November 2014 up to and including Latest Practicable Date (the “**Review Period**”), being the approximate one year period before the date of the Subscription Agreement to illustrate the recent trading performance of the Shares. The highest and lowest closing price and the average daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period are set out below:



*Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)*

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.098 per Share recorded on 7 September 2015; and HK\$0.34 per Share recorded on 26 May 2015, 27 May 2015 and 28 May 2015 respectively. As illustrated in the above diagram, the Subscription Price of HK\$0.1 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and represented a premium of approximately 2.0% over the lowest closing price of HK\$0.098 and a discount of approximately 70.6% to the highest closing price of HK\$0.34 respectively. The closing prices of the Shares showed a general sliding trend until it reached its bottom in early September 2015. According to the Directors, they were not aware of any specific events of the Company during the Review Period that caused the said decrease in the Share prices. After 10 September 2015, the Share prices showed a general recovering trend and maintained relatively stable in the past 30 trading days.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Review on trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded in each month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>(Note 2)</i> %
<b>2014</b>				
November	20	24,470,400	0.42%	0.33%
December	21	8,638,190	0.15%	0.12%
<b>2015</b>				
January	21	12,177,048	0.21%	0.17%
February	16	18,958,375	0.32%	0.26%
March	22	48,847,782	0.83%	0.66%
April	19	114,827,053	1.96%	1.56%
May	19	283,952,789	4.85%	3.85%
June	22	178,757,541	3.05%	2.43%
July	22	102,377,545	1.75%	1.39%
August	21	26,255,524	0.45%	0.36%
September	20	52,924,400	0.90%	0.72%
October	20	20,745,500	0.35%	0.28%
November	20	17,057,810	0.29%	0.23%
December	22	14,605,182	0.25%	0.20%
<b>2016</b>				
January (up to and including the Latest Practicable Date)	1	12,390,000	0.21%	0.17%
<b>Maximum</b>			4.85%	3.85%
<b>Minimum</b>			0.15%	0.12%
<b>Mean</b>			1.07%	0.85%

*Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)*

*Notes:*

- (i) Based on 5,854,072,000 Shares held by the public as at the Latest Practicable Date.
- (ii) Based on 7,368,072,000 Shares in issue as at the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above table illustrates that the average daily trading volume of the Shares in each month had been thin during the Review Period. Especially, starting from August onwards, the volume of Shares traded was below 1% of the total number of issued Shares held by the public as at the Latest Practicable Date. With this being the case and that the Subscription Price of HK\$0.1 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, we are of the view that it is reasonable to set the Subscription Price at discount to the latest Share prices to balance the low liquidity of the Shares for the recent four months.

### *Comparison with subscription of new shares under specific mandate*

For the purpose of our analysis, we have identified transactions regarding subscription of new shares under specific mandate conducted by companies listed on the Stock Exchange with fixed terms announced during the period from 1 May 2015 up to the date of the Subscription Agreement (the “**Last Trading Day**”), being a period of approximately six months prior to and including the Last Trading Day (the “**Shares Comparables**”). To the best of our knowledge, we found 28 transactions that met the said criteria, which represented an exhaustive list. We considered the sample size to be fair and representative as the Shares Comparables can reflect the latest market practice prior to the Last Trading Day. We consider that the aforesaid sampling period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the Last Trading Day; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Shares Comparables. The table below illustrates the details of the Shares Comparables:

Date of announcement	Company name	Stock code	Number of subscription share to number of total issued shares <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the closing share price as at the last day of trading immediately prior to the announcement <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the net asset value per share <i>(Note)</i> <i>approximate</i> %
15-May-15	China Traditional Chinese Medicine Co. Limited	570	2.74	(28.37)	48.80

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
--

Date of announcement	Company name	Stock code	Number of subscription share to number of total issued shares <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the closing share price as at the last day of trading immediately prior to the announcement <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the net asset value per share <i>(Note)</i> <i>approximate</i> %
20-May-15	China City Railway Transportation Technology Holdings Company Limited	1522	50.90	(15.41)	Nil
20-May-15	China Assurance Finance Group Limited	8090	2.42	(26.73)	893.75
27-May-15	China Jinhai International Group Limited	139	92.52	(73.96)	212.51
1-Jun-15	Sunshine Oilsands Ltd.	2012	13.45	(19.40)	(55.10)
19-Jun-15	China Properties Investment Holdings Limited	736	162	(88.37)	Nil
24-Jun-15	TCL Multimedia Technology Holdings Limited	1070	1.71	(17.49)	Nil
5-Jul-15	Zhong Fa Zhan Holdings Limited	475	14.30	(14.29)	Nil
7-Jul-15	Orient Victory China Holdings Limited	265	20.43	(50.67)	Nil
9-Jul-15	Convoy Financial Holdings Limited	1019	133.96	(27.40)	Nil
12-Jul-15	GreaterChina Professional Services Limited	8193	163.18	(74.36)	Nil
16-Jul-15	A8 New Media Group Limited	800	39.65	(12.31)	Nil

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
--

Date of announcement	Company name	Stock code	Number of subscription share to number of total issued shares <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the closing share price as at the last day of trading immediately prior to the announcement <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the net asset value per share <i>(Note)</i> <i>approximate</i> %
28-Jul-15	Yueshou Environmental Holdings Limited	1191	277.02	(80.41)	Nil
13-Aug-15	WLS Holdings Limited	8021	37.74	(84.72)	Nil
19-Aug-15	China Eco-Farming Limited	8166	5.59	(0.66)	Nil
28-Aug-15	Theme International Holdings Limited	990	136.80	(77.27)	Nil
28-Aug-15	Convoy Financial Holdings Limited	1019	182.20	(5.41)	Nil
30-Aug-15	CT Environmental Group Limited	1363	3.27	0.98	Nil
30-Aug-15	Global Bio-chem Technology Group Company Limited	809	49.00	(33.33)	Nil
2-Sep-15	PetroAsian Energy Holdings Limited	850	39.10	(22.16)	Nil
3-Sep-15	China Financial International Investment Limited	721	123.63	(78.26)	Nil
17-Sep-15	Link Holdings Limited	8237	24.64	(70.00)	328.60
25-Sep-15	Petro-King Oilfield Services Limited	2178	7.57	14.50	(52.40)
29-Sep-15	Global Strategic Group Limited	8007	42.80	(82.90)	36.20

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
--

Date of announcement	Company name	Stock code	Number of subscription share to number of total issued shares <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the closing share price as at the last day of trading immediately prior to the announcement <i>approximate</i> %	Premium/ (discount) of subscription price over/(to) the net asset value per share <i>(Note)</i> <i>approximate</i> %
26-Oct-15	LVGEM (China) Real Estate Investment Company Limited	95	21.67	(14.06)	Nil
27-Oct-15	Tesson Holdings Limited	1201	51.00	(27.27)	Nil
28-Oct-15	Heng Xin China Holdings Limited	8046	12.63	(16.00)	Nil
2-Nov-15	Redco Properties Group Limited	1622	10.99	(16.10)	Nil
<b>Maximum</b>				14.50	893.75
<b>Minimum</b>				(88.37)	(55.10)
<b>Mean</b>				(37.21)	201.77
<b>The Company</b>		33	27.14	(28.57)	150.00

*Note:* The net asset value per share is calculated based on the net asset value attributable to owners of the respective company published in the latest consolidated accounts available on the date of the announcement, dividing the total number of issued shares published on the Stock Exchange website available on the date of announcement.

As shown in the table above, we note that the subscription prices of the Share Comparables issues to the closing prices of the Shares Comparables issues as at their respective last trading days ranges from an approximately 88.37% discount to an approximately 14.5% premium with an average of approximately 37.21% discount. It is noted that the discount of approximately 28.57% of the Subscription Price to the closing price as quoted on the Stock Exchange on the date of the Subscription Agreement which falls within the range of the Share Comparables and above the average level.

It is also illustrated from the above table the subscription prices of the Share Comparables to the net asset value per share of the respective company range from an approximately 55.10% discount to an approximately 893.75% premium, with an average premium of approximately 201.77%. As such, the Subscription Price represents a premium of approximately 150.00% to its net asset value per share, which falls within the range of the Share Comparables and above the average level.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account (i) the financial performance as detailed sub-section headed “Information on the Group” above; (ii) the Subscription Price falls within the range and is above the average level of that of the Share Comparable as discussed above; (iii) the Subscription Price represents a premium of approximately 150% over the unaudited consolidated net asset value attributable to shareholders of the Company per Share of approximately HK\$0.04 as at 30 June 2015; (iv) the closing price of the Shares showed a general sliding trend during the Review Period; and (v) the Shares were trading at a relatively low price in the past twelve months, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Comparison with issuance of convertible bonds under specific mandate*

As part of our analysis, we have further identified those issue and subscription of convertible bonds exercises under specific mandate which were announced by companies listed on the Stock Exchange from 1 May 2015 up to the Last Trading Day (the “**Convertible Bond Comparables**”), being a period of approximately six months prior to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we found 19 transactions which met the said criteria and we considered the sample size to be fair and representative as the Convertible Bond Comparables can reflect the latest market practice prior to the Last Trading Day. We consider that the aforesaid sampling period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the Last Trading Day; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Convertible Bond Comparables. The table below illustrates the details of the Convertible Bond Comparables:

Date of announcement	Company Name	Stock Code	Term	Interest rate %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the date of announcement in relation to the respective subscription of convertible bonds %	Premium/(discount) of subscription price over/(to) the net asset value per share (Note 1) %
11-May-15	Pizu Group Holdings Limited	8053	3	Nil	5.88	2,669.23 (Note 3)
18-May-15	Loudong General Nice Resources (China) Holdings Limited	0988	3	6.00	(74.92)	(2.60)

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

<b>Date of announcement</b>	<b>Company Name</b>	<b>Stock Code</b>	<b>Term</b>	<b>Interest rate %</b>	<b>Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the date of announcement in relation to the respective subscription of convertible bonds %</b>	<b>Premium/(discount) of subscription price over/(to) the net asset value per share (Note 1) %</b>
18-May-15	Energy International Investments Holdings Limited	0353	3	5.00	(9.20)	Nil
21-May-15	Asia Resources Holdings Limited	0899	3	4.00	10.77	Nil
21-May-15	Sunrise (China) Technology Group Limited	8226	3	3.00	(70.31)	0.01
29-May-15	China Eco-Farming Limited	8166	3	Nil	(3.85)	Nil
7-Jun-15	Carnival Group International Holdings Limited	0996	3	Nil	7.64	365.19
9-Jun-15	China All Access (Holdings) Limited	0633	3	Nil	(22.26)	Nil
5-Jun-15	SinoCom Software Group Limited (now known as New Sports Group Limited)	0299	2	5.00 to 15.00 (Note 2)	(41.04)	Nil
28-Jun-15	Orient Victory China Holdings Limited	0265	Nil	6.00	(9.40)	Nil
8-Jul-15	National United Resources (China) Holdings Limited	254	3	Nil	42.86	Nil
10-Jul-15	China Digital Culture (Group) Limited	8175	5	Nil	(9.09)	30.79
24-Aug-15	Loudong General Nice Resources (China) Holdings Limited	0988	3	6.00	(58.22)	29.70

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
--

Date of announcement	Company Name	Stock Code	Term	Interest rate %	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the date of announcement in relation to the respective subscription of convertible bonds %	Premium/(discount) of subscription price over/(to) the net asset value per share (Note 1) %
28-Aug-15	Code Agriculture (Holdings) Limited	8153	3	6.00	(58.85)	Nil
30-Aug-15	Global Bio-chem Technology Group Company Limited	0809	5	0.01	(33.33)	Nil
8-Sep-15	Finet Group Limited	8317	2	3.00	(34.00)	Nil
8-Oct-15	Link Holdings Limited	8237	5	0.01	(65.63)	328.57
14-Oct-15	Baofeng Modern International Holdings Company Limited	1121	3	Nil	(9.68)	(34.38)
27-Oct-15	CCT Land Holdings Limited	0261	3	Nil	(47.37)	49.25
<b>Maximum</b>			5	15	42.86	2,669.23
<b>Minimum</b>			2	Nil	(74.92)	(34.38)
<b>Average</b>			3	4.46	(25.26)	381.75
<b>Average excluding extremity (Note 3)</b>						95.82
<b>The Company</b>			2	Nil	(28.57)	150.00

*Notes:*

1. The net asset value per share is calculated based on the net asset value attributable to owners of the respective company published in the latest consolidated accounts available on the date of the announcement, dividing the total number of issued shares published on the Stock Exchange website available on the date of announcement.
2. Subject to the conversion conditions being fulfilled, the convertible bonds carry an interest rate of 5% per annum for the first year period commencing from its date of issue and an interest rate of 15% per annum for the second year period. For the calculation of the average interest rate of the Convertible Bond Comparables, we have adopted an interest rate of 10% for this case. Please refer to the announcement of SinoCom Software Group Limited (now known as New Sports Group Limited) dated 5 June 2015 for details.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. In order to eliminate outlier in calculating the average net asset value per share of the Convertible Bonds Comparables, we have excluded the maximum figure in the corresponding column to arrive at the adjusted average figure.

We noted from the above table that the conversion prices of the Convertible Bond Comparables issues represent an average of approximately 25.26% discount to the closing prices of the Convertible Bond Comparable issues as at their respective last trading days with a range from an approximately 74.92% discount to an approximately 42.86% premium over the closing prices of the Convertible Bond Comparables issues as at their respective last trading days. As such, the initial Conversion Price represents a discount of approximately 28.57% to the closing price as quoted on the Last Practicable Date, which is deeper than the average discount of the Convertible Bond Comparables of approximately 25.26% but falls within range of the Convertible Bond Comparables.

It is also illustrated from the above table the conversion prices of the Convertible Bond Comparables to the net asset value per share of the respective company range from an approximately 34.38% discount to an approximately 2,669.23% premium, with an average premium of approximately 95.82% (excluding the extremity). As such, the initial Conversion Price represents a premium of approximately 150.00% to its net asset value per share, which is higher than the average premium of the Convertible Bond Comparables of approximately 95.82% and falls within range of the Convertible Bond Comparables.

As a result of the fact that (i) the initial Conversion Price of HK\$0.1 is within the range of the daily closing prices of the Share during the Review Period; (ii) the initial Conversion Price is in line with the recent market practice; and (iii) the initial Conversion Price represents a premium of approximately 150% over the unaudited consolidated net asset value attributable to shareholders of the Company per Share of approximately HK\$0.04 as at 30 June 2015, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Analysis on the interest rate of the Convertible Bonds*

As presented by the table under the above sub-section of this letter, the Convertible Bond Comparables carried an annual interest rate of nil to 15%; whereas the Convertible Bonds bear nil interest. Hence, the interest rate of the Convertible Bonds is essentially the minimum and more favourable as compared to the average interest rate of the Convertible Bond Comparables of 4.46%. Based on the foregoing, we consider that the interest rate of the Convertible Bonds is favourable to the Company.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we consider that the terms of the Convertible Bonds are fair and reasonable. As such, we are of the view that the terms of Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
--

### 3. Effect of the Proposed Subscription on shareholding structure

The following table illustrates the shareholding structure of the Company (i) as at the date of this circular; and (ii) upon Completion and assuming none of the Convertible Bonds is converted; and (iii) upon Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price:

	As at the date of this circular		Upon Completion and assuming none of the Convertible Bonds is converted		Upon Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Tong Nai Kan ( <i>Note 1</i> )	64,000,000	0.87	64,000,000	0.76	64,000,000	0.68
The Subscriber ( <i>Note 2</i> ) and/or Ms. Cheung	1,450,000,000	19.68	2,450,000,000	29.28	3,450,000,000	36.83
Other public Shareholders	<u>5,854,072,000</u>	<u>79.45</u>	<u>5,854,072,000</u>	<u>69.96</u>	<u>5,854,072,000</u>	<u>62.49</u>
<b>Total</b>	<u><u>7,368,072,000</u></u>	<u><u>100.00</u></u>	<u><u>8,368,072,000</u></u>	<u><u>100.00</u></u>	<u><u>9,368,072,000</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Mr. Tong Nai Kan is an executive Director.
2. The Subscriber is wholly owned by Ms. Cheung.

As shown in the table above, the interest of existing public Shareholders will be diluted from approximately 79.45% to approximately 62.49% upon Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price. Nevertheless, taking into account (i) the benefits and the potential prospect of the entering into of the Subscription Agreement as discussed in the section headed “Reasons for of entering into the Subscription Agreement” above; (ii) that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “Principal terms of the Subscription Agreement” above; and (iii) as discussed under the section headed “Financial effects of the Proposed Subscription” above that the Group’s liquidity would be improved and its shareholders’ base would also be broadened upon Completion, we are of the view that the aforesaid possible dilution effect on the shareholding interests of the existing public Shareholders is justifiable.

#### **4. Financial effects of the Proposed Subscription**

*(a) Effect on net asset value*

As stated in the 2015 Interim Report, the net asset value of the Group as at 30 June 2015 were approximately HK\$340.4 million. Upon the Completion, the Subscription will constitute (i) an increase in cash, by the amount of the net proceeds of the Proposed Subscription; (ii) an increase in non-current liabilities (liability component); (iii) an increase in convertible bonds equity reserve (equity component) of the Group and (iv) an increase in the share capital and share premium (equivalent to the gross proceeds from the issue of Subscription Shares) of the Group. It is expected that the Proposed Subscription will have a positive impact on the Group's net asset value.

*(b) Effect on liquidity and working capital*

As stated in the 2015 Interim Report, the Group had cash and cash equivalents of approximately HK\$336.5 million as at 30 June 2015. Immediately upon the Completion, it is expected that the liquidity position of the Group will increase by approximately HK\$200.00 million less related expenses and the liability portion of the Convertible Bonds will be treated as a non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved upon the Completion.

*(c) Effect on gearing ratio*

According to the 2015 Interim Report, the Group was at a net cash position without any bank borrowings as at 30 June 2015, the gearing ratio was nil (based on total bank borrowings at the end of the reporting period divided by total assets the end of the reporting period multiplied by 100%). Upon Completion and assuming full conversion of the Convertible Bonds, the capital base of the Group would be enlarged whilst the borrowings of the Group are not expected to change as a result of the Proposed Subscription. Accordingly, there would be no impact on the gearing ratio upon the Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon the Completion.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**RECOMMENDATION**

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Subscription are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Subscription.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Robert Siu**  
*Managing Director*

*Mr. Robert Siu is a licensed person registered with the SFC and regarded as a responsible officer of Messis 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 15 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of Directors and chief executives

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions 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 which the Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares Interested (Long position)</b>	<b>Approximate percentage of the issued Shares of the Company as at the Latest Practicable Date</b>
Mr. Tong Nai Kan	Interest of spouse	40,000,000	0.54
	Interest of a controlled corporation	24,000,000	0.33

As at the Latest Practicable Date, save as disclosed above, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(ii) Interests of substantial Shareholders and other persons**

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of substantial Shareholder	Note	Capacity/Nature of interest	Number of Shares/ Underlying Shares Interested (Long position)	Approximate percentage of the issued Shares of the Company as at the Latest Practicable Date
Cheung Kwan	1	Beneficial owner	1,450,000,000	19.68
		Interest of a controlled corporation	2,000,000,000	27.14
		Total	<u>3,450,000,000</u>	<u>46.82</u>
Internet Finance Investment Co. Ltd.	2	Beneficial owner	2,000,000,000	27.14
Chan Shing	3	Interest of a controlled corporation	583,902,000	7.92
Lau Ting	3	Interest of a controlled corporation	583,902,000	7.92
Favor King Limited	3	Interest of a controlled corporation	583,902,000	7.92
Glory Add Limited	3	Beneficial owner	583,902,000	7.92

*Notes:*

- Ms. Cheung Kwan owns the entire issued share capital of Internet Finance Investment Co. Ltd. (“Subscriber”) and therefore Ms. Cheung is deemed to be interested in 2,000,000,000 Shares.
- The interest in 2,000,000,000 Shares arises from entering into the Subscription Agreement whereby the Subscriber agreed to subscribe for 1,000,000,000 Subscription Shares and Convertible Bonds convertible into 1,000,000,000 Conversion Shares.
- Chan Shing and Lau Ting wholly own the entire issued share capital of Favor King Limited which in turn wholly owns the entire issued share capital of Glory Add Limited. Therefore, Chan Shing, Lau Ting and Favor King Limited are deemed to be interested in 583,902,000 Shares.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### **4. INTERESTS IN CONTRACT OR ARRANGEMENT**

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

### **5. INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

### **7. LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

### **8. 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 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**9. EXPERT AND CONSENT**

- (a) The following is the qualification of the Independent Financial Adviser, who has been named in this circular and has given opinions and advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it is included.
- (d) The letter and recommendation from the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is situated at P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Chen Kwok Wang, a solicitor in Hong Kong and also a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of any inconsistency.



**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Subscription Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 42 of this circular; and
- (e) the written consent of the Independent Financial Adviser as referred to in the paragraph headed “Expert and Consent” in this appendix.

## NOTICE OF EGM

# HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED

## 和協海峽金融集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Harmonic Strait Financial Holdings Limited (the “**Company**”) will be held at 3:00 p.m. on 25 January 2016 at Unit B, 35/F., No. 169 Electric Road, North Point, Hong Kong to consider and, if thought fit, approve, with or without modifications, the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 5 November 2015 (a copy of the Subscription Agreement has been produced to the Meeting marked “A” and initialled by the Chairman for the purpose of identification) and entered into between the Company, Internet Finance Investment Co. Ltd. and Ms. Cheung Kwan, in relation to the subscription for (i) 1,000,000,000 new ordinary shares of HK\$0.10 each in the capital of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.10 per Subscription Share (the “**Subscription Price**”) and (ii) the convertible bonds in the principal amount of HK\$100,000,000 (the “**Convertible Bonds**”), which entitle the holder(s) thereof to convert the principal amount into ordinary shares of HK\$0.10 each in the capital of the Company (the “**Conversion Share(s)**”) at the initial conversion price of HK\$0.10 per Conversion Share, and the transactions contemplated thereunder (including but not limited to (i) the allotment and issue of the Subscription Shares; and (ii) the issue of the Convertible Bonds), be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfilment or waiver of the conditions precedent set out in the Subscription Agreement, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to allot and issue (i) 1,000,000,000 Subscription Shares credited as fully paid at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement; and (ii) all the Conversion Shares upon full conversion of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds; and

## NOTICE OF EGM

- (c) any one Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Subscription Agreement and the transactions contemplated thereunder.”
2. “**THAT** Mr. Xie Li be and is hereby re-elected as an executive director of the Company.”
  3. “**THAT** Mr. Ho Chun Chung, Patrick be and is hereby re-elected as an independent non-executive director of the Company.”
  4. “**THAT** Mr. Zhang Huadi be and is hereby re-elected as an independent non-executive director of the Company.”
  5. “**THAT** Dr. Wang Edward Xu be and is hereby re-elected as a non-executive director of the Company.”

Yours faithfully  
By Order of the Board  
**Harmonic Strait Financial Holdings Limited**  
**Tong Nai Kan**  
*Chairman*

Hong Kong, 8 January 2016

*Registered office:*  
P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman, KY1-1104  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
Unit B, 35/F.  
No. 169 Electric Road  
North Point  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or materially certified copy of such powers of attorney or authority, must be deposited with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 Meeting or any adjourned Meeting.
3. A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the EGM in person, you are strongly advised to complete and sign the form of proxy in accordance with the instructions printed on it and then deposit with the Company’s branch share registrar and transfer office in Hong Kong as indicated above. Returning the completed form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

## NOTICE OF EGM

4. If two or more persons are jointly registered as holders of a share, the vote of the senior person who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this purpose seniority shall be determined by the order in which the names stand on the Company's register of shareholders in respect of the relevant shares.
5. A shareholder holding more than one share entitled to attend and vote at the EGM need not cast the votes in respect of such shares in the same way on any resolution and therefore may vote a share or some or all such shares either for or against a resolution and/or abstain from voting a share or some or all of the shares and, subject to the terms of the instrument appointing any proxy, a proxy appointed under one or more instruments may vote a share or some or all of the shares in respect of which he is appointed either for or against a resolution and/or abstain from voting.

*As at the date of this notice, the Board comprises four executive directors, namely Mr. Tong Nai Kan, Mr. Wong Kwong Sum, Mr. Xie Li and Mr. Zhao Tieliu; one non-executive director, Dr. Wang Edward Xu; and four independent non-executive directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Zhang Huadi and Mr. Ho Chun Chung, Patrick.*