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

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**If you are in any doubt** as to any aspect of this circular or as to the action 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 the Company, you should at once hand the circular and the accompanying form of proxy 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 take no responsibility for the contents of the 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.

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### **Link Holdings Limited** **華星控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 8237)**

## **SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser**



**Guotai Junan Capital Limited**

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

A notice convening the EGM to be convened at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Monday, 23 November 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon 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 and in any event not less than 48 hours before the time appointed for 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.

This circular will remain on the GEM website at <http://www.hkgem.com>, on the "Latest Company Announcement" page for at least 7 days from the date of this posting and on the website of the Company at <http://www.linkholdingslimited.com>.

\* *For identification purpose only*

6 November 2015

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“Bintan Land”	62 parcels of land in a total area of approximately 425,497 square meters situated at Malang Rapat, Gunung Kijang, Bintan, Riau Island, Indonesia, which were acquired by PT. Hang Huo Investment, an indirect non wholly-owned subsidiary of the Company
“Bintan Project”	the Company’s development of property and hotel on Bintan Island, Indonesia
“Board”	the board of Directors
“China Minsheng Investment”	China Minsheng Investment Corporation Limited <sup>#</sup> (中國民生投資股份有限公司), a joint stock limited company incorporated in the PRC with limited liability which indirectly wholly owns CMI Hong Kong
“CMI Capital”	CMI Capital Company Limited <sup>#</sup> (中民投資本管理有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of China Minsheng Investment
“CMI Hong Kong”	CMI Financial Holding Company Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of China Minsheng Investment
“Company”	Link Holdings Limited (stock code: 8237), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	Vertic and its beneficial shareholders, namely Mr. Ngan Iek, Ms. Ngan Iek Chan and Ms. Ngan Iek Peng

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## DEFINITIONS

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“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds to be issued by the Company to CMI Hong Kong pursuant to the Subscription Agreement
“DBS Facility Documents”	the facility letter dated 19 May 2015 granted by DBS Bank Ltd to Hang Huo Investment Pte. Ltd., a wholly-owned subsidiary of the Company, together with any terms and conditions, amendments, supplemental agreements and security documents (if any) relating thereto from time to time
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the specific mandate to allot and issue the Subscription Shares and the Conversion Shares upon conversion of the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than CMI Hong Kong and its associates who is/are not required to abstain from voting at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the specific mandate to allot and issue the Subscription Shares and the Conversion Shares upon conversion of the Convertible Bonds

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## DEFINITIONS

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“Independent Third Party(ies)”	an individual(s) or a corporation(s) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Initial Conversion Price”	HK\$0.33 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
“Latest Practicable Date”	4 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Intent”	the legally binding letter of intent entered into between the Company and CMI Hong Kong dated 15 September 2015 in relation to the proposed subscription for the Subscription Shares and Convertible Bonds
“Link Hotel”	Link Hotel located at 50 and 51 Tiong Bahru Road, Singapore, 168733 & 168734, which is owned and operated by the Group
“Loss”	any liability, damages, cost, claim, loss or expense (including without limitation, legal fees, costs and expenses and any value added tax thereon)
“Major Subsidiary(ies)”	any subsidiary(ies) of the Company from time to time representing 10% or more of the consolidated net assets or pre-tax profits of the Group and shall with effect from the date of the issue of the Convertible Bonds include Hang Huo Investment Pte. Ltd., Link Hotels International Pte. Ltd. and PT. Hang Huo Investment
“Maturity Date”	the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
“Placing”	the placing of Shares pursuant to the terms and conditions set out in the underwriting agreement dated 27 June 2014
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Previous Announcements”	the announcements of the Company dated 16 June 2015 and 30 June 2015 respectively, in relation to the reallocation and change in use of proceeds received from the Placing
“Proceeds”	the proceeds from the Subscription
“Related Party(ies)”	any person, any affiliate of that person or any officer, director or employee of that person or any such affiliate or any person by whom any of them is controlled
“Share(s)”	existing ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“STB Lease Agreement”	the agreement for lease entered into between Singapore Tourism Board and Hang Huo Investment Pte. Ltd., a wholly-owned subsidiary of the Company, dated 14 September 2005, pursuant to which Hang Huo Investment Pte. Ltd. was granted a lease in relation to the land located at 50 and 51 Tiong Bahru Road, Singapore, 168733 & 168734 for the term of 100 years from 1 January 1967 less one day, together with any terms and conditions, amendments and supplemental agreements relating thereto from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription for the Subscription Shares and the Convertible Bonds by CMI Hong Kong pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 October 2015 entered into between the Company and CMI Hong Kong in relation to the Subscription
“Subscription Price”	HK\$0.33 per Subscription Share
“Subscription Shares”	690,000,000 new Shares to be allotted and issued to CMI Hong Kong pursuant to the Subscription Agreement

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## DEFINITIONS

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“Vertic”	Vertic Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a Controlling Shareholder
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

# In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.



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## LETTER FROM THE BOARD

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### **Link Holdings Limited** **華星控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 8237)**

*Executive Directors:*

Datuk Siew Pek Tho  
Mr. Chen Changzheng  
Mr. Wong Ip

*Registered office:*

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Directors:*

Mr. Ngan Iek (*Chairman*)  
Ms. Ngan Iek Peng

*Principal place of business in Hong Kong:*

Unit No. 3503  
35/F, West Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

*Independent non-executive Directors:*

Mr. Chan So Kuen  
Mr. Thng Bock Cheng John  
Mr. Lai Yang Chau, Eugene

6 November 2015

*To the Shareholders*

Dear Sir/Madam,

**SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the announcements of the Company dated 17 September 2015, 8 October 2015 and 13 October 2015 respectively in relation to, among others, the Subscription and the transactions contemplated thereunder. On 8 October 2015, the Subscription Agreement was entered into between the Company and CMI Hong Kong pursuant to which the Company has conditionally agreed to issue, and CMI Hong Kong has conditionally agreed to subscribe for, the Subscription Shares and the Convertible Bonds.

The purpose of this circular is to provide you with, among other things, information on the Subscription and to give you a notice of the EGM at which resolution will be proposed to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the specific mandate to allot and issue the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AGREEMENT

**Date:** 8 October 2015

**Parties:** the Company (as issuer); and

CMI Hong Kong (as subscriber)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of CMI Hong Kong and its ultimate beneficial owners is an Independent Third Party.

### Subject matter

Pursuant to the Subscription Agreement, CMI Hong Kong has conditionally agreed to subscribe for and the Company has conditionally agreed to:

- (a) allot and issue 690,000,000 Subscription Shares at the Subscription Price of HK\$0.33 per Subscription Share; and
- (b) issue the Convertible Bonds in the principal amount of HK\$25,278,000, which entitle the holder(s) thereof to subscribe for 76,600,000 Conversion Shares at the Initial Conversion Price of HK\$0.33 per Conversion Share.

### Status of the Subscription Shares and Conversion Shares

The Subscription Shares, when allotted, issued and fully paid, and the Conversion Shares, when allotted, issued and fully paid, and delivered in the manner contemplated by the Convertible Bonds, will rank *pari passu* and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon.

### Principal terms of the Convertible Bonds

Issuer:	the Company
Principal amount:	HK\$25,278,000
Interest:	0.01% per annum, payable annually in arrears
Maturity Date:	the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
Initial Conversion Price:	HK\$0.33 per Conversion Share, subject to the adjustments upon the occurrence of certain events set out in the paragraph headed "Adjustment events" below

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## LETTER FROM THE BOARD

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- Conversion Period: the period commencing from the date of issue of the Convertible Bonds and up to the date falling seven days prior to the Maturity Date
- Transferability: the Convertible Bonds and the Conversion Shares are freely transferable at any time after Completion without being subject to any lock-up period

### *Conversion Shares*

Based on the Initial Conversion Price of HK\$0.33, up to 76,600,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing:

- (i) approximately 2.74% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 2.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price; and
- (iii) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price, assuming that there would be no other Shares to be allotted and issued.

### *Adjustment events*

The Initial Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation, subdivision or reclassification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (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 90% of the market price per Share to Shareholders;
- (v) issue of securities convertible into or exchangeable for or carrying rights of subscription for new Shares to Shareholders;
- (vi) issue of Shares or issue or grant options, warrants or other rights to subscribe for, purchase or acquire Shares at a price which is less than 90% of the market price per Share;

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## LETTER FROM THE BOARD

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- (vii) issue of securities convertible into or exchangeable for or carrying rights of subscription for new Shares at a consideration per Share which is less than 90% of the market price per Share;
- (viii) modification of the rights of conversion, exchange or subscription attaching to such securities under (vii) above so that the consideration per Share is reduced and is less than 90% of the market price per Share; and
- (ix) issue, sale or distribution of securities in connection with an offer to which Shareholders are generally entitled to participate in arrangements whereby such securities may be acquired by them.

### *Events of default*

If any of the following events occurs, the holders of not less than 50% in principal amount of the Convertible Bonds then outstanding may give notice to the Company that the Convertible Bonds are, and they shall immediately become due and repayable at 130% of the principal amount:

- (i) non-payment: the Company fails to pay the principal of any of the Convertible Bonds when due and the default continues for a period of seven days (in case of failure to pay principal); or
- (ii) failure to deliver Shares: any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of the Convertible Bonds; or
- (iii) shareholding of the Controlling Shareholder: the shareholding of the Controlling Shareholders, on an aggregate basis, falling below 50% of the total issued Shares; or
- (iv) breach of other obligations: the Company does not perform or comply with any one or more of its other obligations in the Convertible Bonds which is remediable and the Company shall have failed to remedy the same within 21 days following the date of service of a notice by the holder of the Convertible Bonds on the Company to remedy such event; or
- (v) cross-default: (a) any other present or future indebtedness of the Company or any of its Major Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Company or any of its Major Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in paragraph (vi) below have occurred equals or exceeds HK\$3,000,000 or its equivalent; or

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## LETTER FROM THE BOARD

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- (vi) enforcement proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or revenues of the Company or any of its Major Subsidiaries which is not discharged or stayed within 30 days; or
- (vii) security enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Major Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) against all or substantially all of the property, assets or revenues of the Company or any of its Major Subsidiaries which is not discharged or stayed within 30 days; or
- (viii) winding-up: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Major Subsidiaries and such order is not discharged or stayed within 30 days, or the Company or any of its Major Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by the holder of the Convertible Bonds, or (b) in the case of a Major Subsidiary, whereby the undertaking and assets of such Major Subsidiary are transferred to or otherwise vested in the Company or another of its Major Subsidiaries; or
- (ix) insolvency: the Company or any of its Major Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any substantial part of such debts or a moratorium is agreed or declared in respect of or affecting all or any substantial part of (or of a particular type of) the debts of the Company or any of its Major Subsidiaries; an administrator or liquidator of the Company or any of its Major Subsidiaries or the whole or any substantial part of the assets and turnover of the Company or any of its Major Subsidiaries is appointed; or
- (x) authorisation and consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to ensure that the Company's obligations under the Convertible Bonds are legally binding and enforceable, and (b) to make the Convertible Bonds admissible in evidence in the courts of the Cayman Islands and Hong Kong is not taken, fulfilled or done; or
- (xi) illegality: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Convertible Bonds; or

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## LETTER FROM THE BOARD

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- (xii) analogous events: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (vi) to (ix) above (both inclusive).

The default rate of 130% was negotiated between the Company and CMI Hong Kong on an arm's length basis after taking into account, among other things, the enforceability of such default rate from a legal perspective.

### *Covenant over issue of securities below Subscription Price*

So long as the Convertible Bonds remain outstanding and CMI Hong Kong is a holder of any Convertible Bonds, no issue of Shares or securities having the right to subscribe for, convert into, purchase, or otherwise acquire Shares, at a price per Share below the Subscription Price unless prior consent from CMI Hong Kong has been obtained.

### *Other covenants*

So long as CMI Hong Kong is a holder of any Convertible Bonds, during the term of the Convertible Bonds, without the prior written consent of CMI Hong Kong, the Company shall not take or cause to be taken by the Group the following actions:

- (i) any consolidation, reorganisation, reduction, subdivision, issue or repurchase of any shares of the Company;
- (ii) winding up or liquidation of the Company;
- (iii) any alteration of the constitutional documents of the Company;
- (iv) any material change in the business of the Company;
- (v) the creation of any mortgage, lien, charge, encumbrance or other security interest of whatsoever nature in respect of any material part of the undertaking, property or assets of any members of the Group;
- (vi) any disposal of assets or equity interest held by the Group involving a consideration of or having a book or market value in excess of HK\$10,000,000;
- (vii) any acquisition of assets or investment in equity interest by the Group involving a consideration in excess of HK\$50,000,000, or incurring or entering into any transactions involving capital expenditure in excess of HK\$50,000,000;
- (viii) any change in the accounting policies or practice or auditors by any members of the Group;
- (ix) any borrowing or financing by any member of the Group other than by way of normal trade credit, where such borrowing would result in aggregate borrowings by the Group being in excess of HK\$20,000,000;

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## LETTER FROM THE BOARD

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- (x) any distribution of profits by the Company;
- (xi) the commencement or settlement by any member of the Group of any litigation, arbitration or other proceedings which exceed HK\$10,000,000 in value;
- (xii) any restructuring of any borrowings by any member of the Group with creditors including without limitation to a deferral of repayment;
- (xiii) issue any shares, convertible securities, debt securities or otherwise raise capital, as an independent event or series of linked events, with a value in excess of HK\$10,000,000; and
- (xiv) issue any direct, unsubordinated, unconditional and unsecured debt securities, unless it is expressly agreed that any such debt securities rank behind the Convertible Bonds.

### **Subscription Price and Initial Conversion Price**

The Subscription Price of HK\$0.33 per Share is equivalent to the Initial Conversion Price of HK\$0.33 per Conversion Share, which represents:

- (i) a discount of approximately 70.00% to the closing price of HK\$1.100 per Share as quoted on the Stock Exchange on 15 September 2015, being the date of the Letter of Intent;
- (ii) a discount of approximately 65.63% to the closing price of HK\$0.960 per Share as quoted on the Stock Exchange on 8 October 2015, being the date of the Subscription Agreement;
- (iii) a discount of approximately 66.19% to the average of the closing price of approximately HK\$0.976 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 65.87% to the average of the closing price of approximately HK\$0.967 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (v) a premium of approximately 328.6% over the unaudited consolidated net asset value attributable to owners of the Company per Share of approximately HK\$0.077, based on the unaudited net asset value attributable to owners of the Company of approximately HK\$215.3 million as at 30 June 2015 and 2,800,000,000 Shares in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 63.33% to the closing price of HK\$0.900 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Subscription Price and the Initial Conversion Price have been determined after arm's length negotiations between the Company and CMI Hong Kong with reference to the then prevailing market price of the Shares and the unaudited net asset value of the Company as at 30 June 2015. In particular, the Company has taken into account the following factors in determining the Subscription Price and the Initial Conversion Price:

- (i) as disclosed in the prospectus of the Company dated 30 June 2014, the Company will raise funds for development of the Bintan Project. The purpose of the Subscription is to raise funds for the Company for development of the Bintan Project and for future acquisitions. Equity financing by way of the Subscription is an appropriate mean of raising additional capital as the Board can identify and negotiate with potential investor(s) directly and introduce the preferred strategic investor(s) to the Company instead of issuing Shares to places selected by the placing agent;
- (ii) CMI Hong Kong endorses the Company's business and in particular the Bintan Project and is considered as a strategic investor and not merely a financial investor. The Board considers having a strategic investor that shares the same view with the Directors and the Company's projects to be a distinct advantage as opposed to CMI Hong Kong merely being identified as an investor of the Company;
- (iii) the Board considers CMI Hong Kong's willingness to invest in the Company to be a positive indication of support to the Company's business and projects; and
- (iv) the Board has also taken into account the following financial positions of the Company:
  - (a) the Group recorded loss attributable to owners of the Company for the six-month period ended 30 June 2015 which was primarily attributable to the effects of the renovation of Link Hotel;
  - (b) as at 30 June 2015, the Group had a net current liabilities of approximately HK\$13.6 million;
  - (c) as at 30 June 2015, the Group had bank borrowings of HK\$211.3 million and gearing ratio (calculated by dividing borrowings by equity attributable to owners of the Company) of approximately 1.02;
  - (d) the Subscription Price, which is equivalent to the Initial Conversion Price, represents a premium of approximately 328.6% over the unaudited consolidated net asset value attributable to owners of the Company per Share of approximately HK\$0.077 (based on the unaudited net asset value attributable to owners of the Company of approximately HK\$215.3 million as at 30 June 2015 and 2,800,000,000 Shares in issue as at the Latest Practicable Date); and



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## LETTER FROM THE BOARD

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- (e) the Subscription will enhance the financial position of the Company, the investment capital and net asset value of the Group.

Having taken into account the above factors, the Directors are of the view that the Subscription Price, which is equivalent to the Initial Conversion Price, is considered to be reasonable following arm's length negotiations among the parties.

Further, the Directors consider that the Subscription shall (i) provide significant amount of funding to the Company for the development of the Bintan Project; (ii) improve the financial position and liquidity of the Group during the current volatile and uncertain market conditions; and (iii) enhance the Company's business network for its future fund raising and business development. The Directors are also of the view that having CMI Hong Kong, a financially strong and well-experienced investor as the Group's strategic investor, will not only provide additional funding to the Company that improve its financial position but will also strengthen the Group's overall investment capability and network which will be beneficial to the Company and the Shareholders as a whole in a long term.

In light of the above, the Directors consider the terms of the Subscription Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **Board composition**

Subject to the articles of association of the Company and the GEM Listing Rules, CMI Hong Kong shall be entitled to nominate, and the Board shall appoint, two non-executive Directors to the Board at Completion, who shall remain in office as long as CMI Hong Kong (assuming full conversion of all of the Convertible Bonds) will hold more than 5% of the entire issued share capital of the Company. In the event that the Shares held by CMI Hong Kong in the Company is reduced to 5% (assuming full conversion of all of the Convertible Bonds), CMI Hong Kong shall procure one of the non-executive directors nominated by it to resign. If CMI Hong Kong ceases to hold any Shares (assuming full conversion of all of the Convertible Bonds), CMI Hong Kong shall procure all of the non-executive directors nominated by it to resign.

CMI Hong Kong shall also have the right to nominate a person to be appointed as an additional independent non-executive Director at Completion. Such nomination and appointment shall also be subject to the articles of association of the Company and the GEM Listing Rules.

In respect of such nomination rights granted to CMI Hong Kong, Article 58 of the Company's articles of association provides that any one or more shareholder(s) holding not less than one-tenth of the paid up capital of the Company shall have the right to require an extraordinary general meeting to be called by the Board for the transaction of any business specified, including but not limited to nomination and removal of a director. Thus, the rights to nominate a director by requesting for an extraordinary general meeting is available to all shareholders provided that he/she/it holds or together with other shareholders hold not less than one-tenth of the entire issued share capital of the Company.

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## LETTER FROM THE BOARD

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The Company granted the nomination rights to CMI Hong Kong on the basis that CMI Hong Kong will have a shareholding interest in the Company exceeding 10% after Completion, and therefore CMI Hong Kong will be entitled to request for an extraordinary general meeting to be called by the Board for the purpose of nominating a director to the Board in accordance with the Company's articles of association as aforesaid.

Based on the above, the Directors are of the view that the granting of the nomination rights to CMI Hong Kong under the Subscription Agreement does not violate the relevant provision under the Company's articles of association.

In respect of the mechanism of appointment of two non-executive Directors and an independent non-executive Director to the Board, the Company will follow the usual mechanism for the appointment of Directors whereby the nomination and corporate governance committee of the Company shall review the profile, including the background, experience and integrity, of the proposed candidates nominated by CMI Hong Kong and make recommendations to the Board for further approval. If the proposed candidate does not meet the requirements of being a Director, the Board has the right to reject such proposal.

In addition, in respect of the appointment of the independent non-executive Director, the nomination and corporate governance committee of the Company shall assess the independence of such proposed candidate to ensure compliance with Rule 5.09 of the GEM Listing Rules. As such, the appointment of the independent non-executive Director nominated by CMI Hong Kong shall be subject to the recommendations of the nomination and corporate governance committee of the Company and the approval of the Board. In any event, all proposed Directors who are appointed by the Board shall retire in the next general meeting of the Company and shall be subject to re-election by the Shareholders in accordance with the Company's articles of association.

When considering whether the granting of the nomination rights to CMI Hong Kong is in the interest of the Company, and is on normal commercial terms, the Directors have considered the potential benefits from the background of CMI Hong Kong (details of which are disclosed in the paragraph headed "Information on CMI Hong Kong" below).

The Company has been informed that China Minsheng Investment has been actively expanding its overseas investment and helping private enterprises build their international network as part of its global strategy. Further, in line with the "One Belt One Road" policy initiated by the PRC government, China Minsheng Investment is planning to lead private companies in competitive industries of China to expand their business abroad. In mid-July 2015, China Minsheng Investment invited a number of outstanding private enterprises in the PRC to meet together in South Korea to discuss the potential investment opportunities arising from the "One Belt One Road" policy. In early July 2015, a group company of China Minsheng Investment held a business exchange meeting in Singapore, during which it announced that China Minsheng Investment would guide domestic private companies to invest in Southeast Asia.

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## LETTER FROM THE BOARD

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In this regard, the Board believes that, as a subsidiary of China Minsheng Investment, the development of CMI Hong Kong is supported by China Minsheng Investment and therefore would enjoy the advantages and at the same time follow the global strategy of China Minsheng Investment and through the strategic investment in the Company by CMI Hong Kong, the Company will be able to leverage on China Minsheng Investment's extensive network, its strong financial and business background and exposure that may be offered by CMI Hong Kong to broaden the Company's business network for its future fund raising and business development.

In view of the above, the Board considered that the granting of the nomination rights to CMI Hong Kong is in the interest of the Company and the Shareholders as a whole and is on normal commercial terms. As at the Latest Practicable Date, CMI Hong Kong had not nominated any non-executive Director or independent non-executive Director for consideration or appointment by the Company. The Company shall make further announcement(s) regarding the appointment of Directors in accordance with the GEM Listing Rules.

### **Pre-emptive rights**

Pursuant to the Subscription Agreement, the Company has agreed that in the event that the Company proposes to issue any Shares after Completion, CMI Hong Kong shall be entitled to pre-emptive rights to subscribe for such number of Shares at the then issued price, in order to retain the shareholding percentage of CMI Hong Kong as at Completion.

Under such pre-emptive rights granted to CMI Hong Kong, the Company has to go through the motion of offering to CMI Hong Kong to subscribe at the same issue price for further Shares in the event that the Company issues further Shares after Completion such that the percentage of shareholding interest held by CMI Hong Kong in the Company (if it elects to accept the offer) will remain the same.

The Company considers that such pre-emptive right granted to CMI Hong Kong is neither a preferential nor an absolute right for CMI Hong Kong to acquire Shares. If CMI Hong Kong elects to acquire additional Shares pursuant to the procedures described above, given that CMI Hong Kong would become a connected person after Completion, the Company would be required to comply with the relevant connected transaction requirements under Chapter 20 of the GEM Listing Rules prior to any issue of Shares to CMI Hong Kong after Completion. In the event that CMI Hong Kong holds less than 10% of the then entire issued share capital of the Company, any subscription of Shares by CMI Hong Kong subsequent to the Completion of the Subscription Agreement pursuant to the pre-emptive right granted under the Subscription Agreement will not be issued under a general mandate of the Company, but will be subject to independent shareholders' approval, where CMI Hong Kong and its associates shall abstain from voting at the general meeting of the Company.

The Independent Shareholders would therefore have a veto right over the issue of any further Shares to CMI Hong Kong. Accordingly, the pre-emptive right only requires the Company to go through the above motion and the decision as to whether Shares will be ultimately sold to CMI Hong Kong will rest with the Independent Shareholders.

In light of the above reasons, the Company considers that the granting of pre-emptive rights to CMI Hong Kong would not contravene the requirement of fair and equal treatment of all shareholders under Rule 2.06(4) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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Given CMI Hong Kong's position as a strategic investor of the Company as mentioned above, the Board considers that it is in the interest of the Company and the Shareholders to enable CMI Hong Kong to maintain its shareholding in the Company, so as to provide an incentive to CMI Hong Kong to remain financially committed in bringing its benefits as a strategic investor to the Company. The Company may also benefit from additional proceeds being raised in the event that CMI Hong Kong elects to acquire additional Shares after the Completion. The Directors therefore consider that the Company has complied with Rule 2.06(4) of the GEM Listing Rules.

If such pre-emptive rights are exercised, the Board will ensure that the Company will comply with the relevant requirements, including Independent Shareholders' approval under Chapter 20 of the GEM Listing Rules.

In view of the above, the Board considered that the granting of the pre-emptive rights to CMI Hong Kong is in the interest of the Company and the Shareholders as a whole and is on normal commercial terms.

### **Conditions precedent**

Completion of is conditional upon, inter alia:

- (i) CMI Hong Kong having completed and satisfied in its absolute discretion with the results of the due diligence review to be conducted on the Company and the Bintan Project including but not limited to financial, business and legal due diligence;
- (ii) Vertic having disposed of not less than 173,000,000 Shares so that the Company would not be in breach of the public float requirements under the GEM Listing Rules immediately after Completion, provided that the shareholding of Vertic shall not be less than 50% of the entire issued share capital of the Company after such disposal of Shares and immediately before Completion;
- (iii) the Stock Exchange having granted the approval for the listing of and permission to deal in, the Subscription Shares and Conversion Shares;
- (iv) the passing of the resolution by the Independent Shareholders at the EGM approving the Subscription Agreement and transactions contemplated thereunder, including but not limited to the specific mandate to allot and issue the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds;
- (v) the representations and warranties of the Company under the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at Completion and the Company having performed all of its obligations and undertakings under the Subscription Agreement to be performed on or before Completion;
- (vi) up to Completion, no change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of any members of the Group or the value or market price of the Shares up to Completion having been occurred;

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## LETTER FROM THE BOARD

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- (vii) none of the Company or any member of the Group being in breach of or in default (nor having any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement, would result in a default by the Company or any other member of the Group) under the terms of the DBS Facility Documents, the STB Lease Agreement, any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound at Completion;
- (viii) no order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated under the Subscription Agreement;
- (ix) no proceedings having been initiated or threatened by third parties with any judicial or governmental authority in any jurisdiction to restrict or prohibit the transactions under the Subscription Agreement, declare the transaction contemplated therein illegal or seek for a remedy of a material nature;
- (x) there having been delivered to CMI Hong Kong copies of all consents and approvals required on the part of the Company in relation to the issue of the Subscription Shares and the Convertible Bonds and the performance of their obligations under the Convertible Bonds and all the transactions contemplated under the Subscription Agreement, in each case in form and substance reasonably satisfactory to CMI Hong Kong (including, without limitation, approval by the Board, the Shareholders and any relevant governmental or regulatory authorities);
- (xi) there having been delivered to CMI Hong Kong opinions, in form and substance reasonably satisfactory to CMI Hong Kong, dated the date of Completion of, Hong Kong and Cayman Islands legal counsel of the Company, to be agreed by the parties as to the law of Hong Kong and Cayman Islands, respectively;
- (xii) a Director having delivered a written confirmation on or before Completion in respect of the fulfillment of conditions (v), (vi) and (vii) above;
- (xiii) there having been delivered to CMI Hong Kong certified copies of share certificates and statutory registers required to be kept in accordance with the Indonesia Company Law in respect of PT. Hang Huo Investment and PT. Hang Huo International, including without limitation (i) the registers of shareholders and (ii) special registers containing information regarding (a) shares held by members of the board of directors and board of commissioners and their families (i.e. spouses and children) in the company or other companies, and (b) acquiring date of such shares; and
- (xiv) there having been delivered to CMI Hong Kong, in respect of any entity holding regulatory licence(s) in the Group, copies of all necessary consents and approvals from competent regulatory bodies and other governmental agencies for the transactions contemplated under the Subscription Agreement on or prior to Completion.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

The Company shall use its best endeavours to ensure the fulfilment of conditions (ii) to (xiv) above as soon as reasonably practicable and in any event no later than 30 November 2015. CMI Hong Kong may, at its sole discretion and upon such terms as it thinks fit, waive all or any part of the above conditions precedent (other than conditions (iii) and (iv) which are not waivable). The Completion will take place on the fifth business day after the above conditions precedent are fulfilled or waived (as the case may be) and is currently expected to be on or before 7 December 2015.

### **Undertaking and indemnity given by the Company**

Pursuant to the Subscription Agreement, the Company undertakes to CMI Hong Kong that for a period commencing from the date of the Subscription Agreement and ending six (6) months after Completion, the Company will not, without the prior written consent of CMI Hong Kong,

- (a) allot or issue or offer to allot or issue or grant any option (including for the avoidance of doubt options to be granted on or after the date of the Subscription Agreement pursuant to the terms of any employee share option scheme of the Company, if any), right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above; and
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

except for any Shares which may be issued pursuant to the Subscription, and save pursuant to:

- (i) the exercise of such options already granted prior to the date of the Subscription Agreement pursuant to the terms of any employee share option scheme of the Company (if any);
- (ii) any outstanding subscription warrants (if any);
- (iii) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Company's articles of association;
- (iv) the issue of any Shares or convertible bonds for the sole purpose of satisfying the consideration payable by the Company for acquisition of assets or equity interests; or
- (v) conversion of outstanding convertible bonds (if any).

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## LETTER FROM THE BOARD

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Pursuant to the Subscription Agreement, the Company undertakes to CMI Hong Kong that if CMI Hong Kong or any of its Related Parties incurs any Loss, other than any Loss suffered by the Related Parties of CMI Hong Kong in connection with activities unrelated to the transactions contemplated under the Subscription Agreement, arising out of, in connection with or based on:

- (i) any inaccuracy of any representation and warranty by the Company in the Subscription Agreement (on the date of Subscription Agreement or on any date when it is deemed to be repeated);
- (ii) any breach by the Company of any of its representations, warranties, undertakings in or agreements contained in, or deemed to be made pursuant to, the Subscription Agreement;
- (iii) the issue and publication of any documentation, relating to the issue of the Subscription Shares, the Conversion Shares (if any) or the Convertible Bonds, that contains material omission or is inaccurate;
- (iv) the failure by the Company or any member of the Group or any of their respective directors or officers to comply with any requirements of statute or regulation in relation to the issuance of the Subscription Shares, the Conversion Shares (if any) or the Convertible Bonds;
- (v) any breach of any terms or provisions of agreements and instruments by any members of the Company as a result of the execution, delivery and/or performance of the Subscription Agreement, the issue of the Convertible Bonds, the issue, offer and delivery of the Subscription Shares and the Conversion Shares on conversion of the Convertible Bonds, the carrying out of the other transactions contemplated under the Subscription Agreement and the Convertible Bonds and compliance with their terms; or
- (vi) the lack of clean title to all of the Bintan Land and/or any failure by the Company or any member of the Group to obtain all approvals required in accordance with all applicable laws for the development of the Bintan Project on the Bintan Land in such a manner as described in the prospectus of the Company dated 30 June 2014 and any formal announcements issued by the Company on or before the date of Subscription Agreement,

the Company shall pay to CMI Hong Kong on demand an amount equal to such Loss on an after tax basis.

Without prejudice to the above indemnity, the Company shall not be liable to indemnify CMI Hong Kong or any of its Related Parties in respect of any Loss to CMI Hong Kong or any of its Related Parties to the extent that the matter giving rise to the Loss would not have arisen but for the passing of, or a change in, a law, rule, regulation, interpretation of the law or administrative practice of a government, governmental department, agency or regulatory body after Completion.

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## LETTER FROM THE BOARD

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### *Undertaking pending completion*

Pending Completion the Company shall procure that, without the prior written consent of CMI Hong Kong, no member of the Group shall:

- (a) create, allot or issue any shares or agree, arrange or undertake to do any of those things;
- (b) give or agree to give any option, right to acquire or call (whether by conversion, subscription or otherwise) in respect of any of its share or loan capital;
- (c) acquire or agree to acquire an interest in a corporate body or merge or consolidate with a corporate body or any other person, enter into any demerger transaction or participate in any other type of corporate reconstruction;
- (d) acquire or agree to acquire any material assets, businesses or undertakings of any member of the Group involving a consideration of or having a book or market value in excess of HK\$20,000,000;
- (e) dispose or agree to dispose of any material assets, businesses or undertakings of any member of the Group involving a consideration of or having a book or market value in excess of HK\$10,000,000;
- (f) pass any resolution by its members in general meeting or make any alteration to its articles of association;
- (g) declare, make or pay any dividend or other distribution;
- (h) create, grant or allow to subsist any encumbrance or other agreement or arrangement which has the same or similar effect to the granting of security in respect of all or any part of the undertaking, property or assets of any member of the Group;
- (i) create any borrowings or other indebtedness or obligation in the nature of borrowings (including obligations pursuant to any debenture, bond, note, loan stock or other security and obligations pursuant to finance leases), where such borrowing would result in aggregate borrowings by the Group being in excess of HK\$20,000,000;
- (j) make, or agree to make, capital commitments or expenditure exceeding HK\$10,000,000;
- (k) enter into, amend the terms of, or terminate any partnership, joint venture or other profit sharing agreement, provided that a counterparty's termination of such an agreement shall not be a breach of this undertaking;
- (l) make any material change to the management and organisation of the Group or member of the Group or the manner in which they carry on the business;



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## LETTER FROM THE BOARD

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- (m) modify or terminate any rights under any of its contracts which are material to the businesses of the Group or any member of the Group;
- (n) initiate, settle or abandon any claim, litigation, arbitration or other proceedings or make any admission of liability by or on behalf of any member of the Group except, in any case, in relation to debt collection in the ordinary course of the business of sums not exceeding HK\$10,000,000 for any single claim or as otherwise instructed by CMI Hong Kong in writing;
- (o) enter into any transaction with any person otherwise than at arms' length and for full value;
- (p) enter into any connected transaction which requires the approval of independent shareholders;
- (q) make any proposal for the winding up or liquidation of any member of the Group;
- (r) change its auditors or make any change to its accounting practices or policies, except where such change is recommended by its auditors as a consequence of a change in generally accepted accounting practices or policies applicable to companies carrying on businesses of a similar nature, or as a consequence of a change in law;
- (s) redeem or purchase any shares or reduce its issued share capital, or any uncalled or unpaid liability in respect thereof, or any capital redemption reserve, share premium account or other reserve that is not freely distributable; or
- (t) agree, undertake or otherwise give any binding undertaking to do any of the same.

### **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS AND USE OF PROCEEDS**

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

The aggregate gross proceeds from the Subscription are expected to be approximately HK\$253.0 million and the aggregate net proceeds from the Subscription, after the deduction of the professional and other related expenses, are estimated to be approximately HK\$250.2 million, representing a net issue price of approximately HK\$0.326 per Share issued under the Subscription (including both Subscription Shares and Conversion Shares). Provided that no Proceeds shall be used in relation to any connected transaction, the Company and CMI Hong Kong agreed to use the Proceeds from the Subscription for:

- (i) the development of the Bintan Project and the future acquisitions by the Company with the prior written consent of CMI Hong Kong;

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## LETTER FROM THE BOARD

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- (ii) the payment of the Costs and Expenses (as defined below) in connection with the conduct of legal and financial due diligence, including the fees payable to professional advisers for the conduct of such due diligence, and the fees of CMI Hong Kong's financial adviser engaged in connection with the Subscription;
- (iii) during such time when CMI Hong Kong remains as a holder of the Convertible Bonds, such reasonable fees and expenses properly incurred by CMI Hong Kong after Completion in connection with CMI Hong Kong's on-going monitoring of the Company's activities including without limitation travelling expenses for site visits in relation to the Bintan Project, meetings of the Company attended by directors or other persons nominated by CMI Hong Kong and inspection of the Company's books and records; and
- (iv) the costs in connection with the preparation by CMI Hong Kong's lawyers of the Letter of Intent dated 15 September 2015 and the Subscription Agreement and the fees payable to CMI Hong Kong's lawyers incurred in connection with the Subscription.

The detailed breakdown of the use of Proceeds is set out as follows:

<b>Use of Proceeds</b>	<b>Approximate %</b>	<b>Approximate HK\$ (million)</b>
(i) the development of the Bintan Project and potential acquisitions	99.32	251.3
(ii) Payment of fees and expenses incurred by CMI Hong Kong in connection with the conduct of legal and financial due diligence	0.28	0.7
(iii) Fees and expenses incurred by CMI Hong Kong after Completion in connection with CMI Hong Kong's on-going monitoring of the Company's activities (for a maximum of five years)	0.20	0.5
(iv) Costs in connection with the preparation by CMI Hong Kong's lawyers in relation to the letter of intent dated 15 September 2015 and the Subscription Agreement	0.20	0.5
<b>Total:</b>	100.00	<u>253.0</u>

The Company expected that the incurred construction costs of the first phase of the Bintan Project by 30 June 2016 will be approximately HK\$103.7 million, of which approximately HK\$51.3 million will be funded by the proceeds raised from the Placing and approximately HK\$52.4 million will be funded by the Proceeds respectively. Further, it is expected that the remaining amount of approximately HK\$173.9 million from the Proceeds will be applied to the outstanding construction cost of the first phase of the Bintan Project by 31 December 2016. As at the Latest Practicable Date, approximately HK\$0.2 million has been used in the Bintan Project.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company and CMI Hong Kong had not yet identified any specific acquisition targets in relation to the potential acquisitions by using the Proceeds, but the parties agreed to allocate no more than HK\$25 million for any future possible acquisition opportunities. The Company will make further announcement(s) as and when necessary in accordance with the GEM Listing Rules.

It has been agreed that the fees and expenses (the “**Costs and Expenses**”) in relation to the Subscription that were and will be incurred by CMI Hong Kong would be paid by the Company. Such an arrangement was agreed between the parties as a result of an arms’ length negotiation. During the course of commercial negotiation, the Company agreed to take up the Costs and Expenses after taking into account the potential benefits of the Subscription for the Company and the amount of proceeds that would be generated from the Subscription, and subject to CMI Hong Kong agreeing to fix the Subscription Price and Initial Conversion Price at HK\$0.33 per Subscription/Conversion Share. In this regard, the Board considers that it is fair and reasonable for the Company to bear the Costs and Expenses.

The Proceeds must be deposited into and kept in a bank account in the name of the Company segregated from other funds of the Company, and CMI Hong Kong shall be entitled to nominate from time to time and have appointed signatories to such bank account with such mandate to the reasonable satisfaction of CMI Hong Kong, provided always such mandate shall provide that no funds may be withdrawn from such bank account without the authorisation from such signatories nominated by CMI Hong Kong.

During such time when CMI Hong Kong is a holder of the Convertible Bonds, the Company shall provide CMI Hong Kong with a monthly budget in respect of the Bintan Project at least seven days prior to the end of each calendar month after Completion. Such budget shall set out in details reasonably acceptable to CMI Hong Kong, in respect of the Bintan Project, the proposed works and undertakings to be carried out by the Group and the amount of all anticipated capital and operating expenditures in relation to the Bintan Project.

During such time when CMI Hong Kong is a holder of the Convertible Bonds, CMI Hong Kong shall be entitled to inspect the monthly accounts and reports in relation to the use of the Proceeds from time to time upon reasonable notice to the Company.

The information rights, including the right for CMI Hong Kong to inspect the monthly accounts and reports in relation to the use of the Proceeds, have been granted to CMI Hong Kong in its capacity as a creditor in order to enable it to monitor the use of the Proceeds. For the avoidance of doubt, the Company’s obligation to provide such information shall cease when CMI Hong Kong is no longer the holder of the Convertible Bonds.

As a creditor of the Company, through the subscription of the Convertible Bonds, CMI Hong Kong will be able to obtain the Company’s monthly accounts, expenses reports and budget for the next month, only in respect of the Bintan Project, in relation to the use of Proceeds under the Subscription.

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## LETTER FROM THE BOARD

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The Board considered that such information rights are not given to CMI Hong Kong as a shareholder of the Company, but as a creditor. In addition, the Board considered that the Company's monthly expenses reports and budget for the next month is not price sensitive in nature, and will not constitute sharing of inside information to CMI Hong Kong which is not otherwise made available to the public. In any event, the disclosure of information to CMI Hong Kong under such information rights will be subject to restrictions under the GEM Listing Rules such as the inside information provisions.

Further, if CMI Hong Kong did not proceed with the Subscription, the Company would not be able to obtain financing at such low cost to develop the Bintan Project. The Directors therefore consider that the granting of the information rights to CMI Hong Kong is in the interest of the Company and the Shareholders.

### INFORMATION ON CMI HONG KONG

CMI Hong Kong is indirectly wholly-owned by China Minsheng Investment and is managed by CMI Capital, the financial division of China Minsheng Investment.

China Minsheng Investment is a large private investment company organised by The All-China Federation of Industry and Commerce in China and was launched by 59 well-known private enterprises throughout China. The shareholders of China Minsheng Investment are all large scale private enterprises, some of which are among China's top 500 companies. The business scope of the shareholders of China Minsheng Investment involves a variety of industries such as machinery manufacturing, metallurgy, information technology, asset management, garment, biological pharmacy, environmental protection, new energy, culture and media, commerce and trade, electric power, home appliances stores, e-commerce, real estate and so forth. As at the Latest Practicable Date, no single shareholder of China Minsheng Investment holds more than 4% of the voting rights or equity contributed in China Minsheng Investment.

China Minsheng Investment was established and registered in Shanghai in May 2014, with a registered capital of RMB50 billion. It is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting. China Minsheng Investment's strategy is to fully utilise its competitive strengths in terms of national brand, integration of resources, financial strength, comprehensive operations, management output and other competitive advantages in the implementation of its strategic integration in key target industries, with the objective to create a strategic and sustainable business model. China Minsheng Investment will, through capital investment and leverage, and featured by business consolidation and the full range of financial licenses, apply its resources and efforts in developing distinctive business portfolios and key segments. In terms of the specific implementation path, China Minsheng Investment, relying on industrial integration, industrial strategic investment, mixed investment, establishment of full financial licenses platform and exploration of overseas investment market, will actively carry out the relevant business activities.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in the operations of the Link Hotel in Singapore.

As disclosed in the Previous Announcements, the Company has engaged an architectural firm to devise the master plan for the Bintan Land which was sub-divided into three portions for development purpose, and the first phase development will comprise three stages. As at the Latest Practicable Date, the local architectural firm has been working closely with the project consultant of the Group to prepare and finalise the plan for the submission to the government for approval. As such, the development plan is still in the process of being finalised and will be subject to the Board's final approval.

Pursuant to the latest draft of the development plan, the first phase of the Bintan Project will tentatively comprise different types of leisure and entertainment complex, including, a beachfront resort, resort hotel, villa, retail village, culture stage and service apartments. Currently, the Company is primarily concentrating on the re-development of the "Bintan Cabana Beach Resort" into a beachfront resort. The estimated cost for the construction work of beachfront resort, as disclosed in the Previous Announcements, is approximately HK\$66.7 million.

Based on the latest draft of the development plan, the project consultant engaged by the Group estimated that the construction cost for the first phase of the Bintan Project, which comprises the construction cost for the beachfront resort, will be approximately HK\$470 million, of which HK\$51.3 million will be financed by the proceeds received from the Placing. As such, it is agreed by the Board and CMI Hong Kong that the Proceeds shall be applied towards part of the construction cost of the first phase of the Bintan Project.

In view of the need of fund to develop the Bintan Project as disclosed above, apart from share subscription, the Company has considered other financing methods including but not limited to debt financing and bank borrowings. However, as disclosed in the Company's interim report dated 14 August 2015, the Company had incurred bank borrowings of approximately HK\$211.3 million. As at 30 June 2015, the Company's gearing ratio (calculated by dividing borrowings by equity attributable to owners of the Company) was approximately 1.02. Having taken into consideration the current gearing ratio of the Company, the Board considered that debt financing and bank borrowings would further increase the gearing level of the Group and the interest expenses and finance costs would impose additional financial burden to the Group's future cash flow.

The Board also explored other equity financing options such as placing, rights issue and open offer. In respect of placing, the cost is high as the Company has to pay placing commission to the placing agent and the choice of placees is mainly at the hand of the placing agent and the Company would rather prefer introducing strategic investors that share common development plan of the Group. In respect of rights issue and open offer, the underwriter usually ask for a deep discount to attract Shareholders and investors to take up the Shares. The Directors also considered that they may have difficulty to find an independent underwriter in

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## LETTER FROM THE BOARD

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Hong Kong who will be interested to underwrite the rights issue or open offer of the Company to raise the proposed amount of approximately HK\$252 million. Even if the Company could engage an independent underwriter to provide underwriting service to the Company for rights issue or open offer, given the size of the fund to be raised, it is anticipated that high underwriting commission would have been incurred.

In addition, the Board considers that equity financing by way of subscription will be an appropriate mean of raising additional capital as the Board can identify and negotiate with potential investor(s) directly on the terms, possible strategic plans and future cooperation opportunities, and introduce the preferred strategic investor(s) to the Company, based on various factors including but not limited to, the financial background and business experience of the proposed investor(s) and whether the proposed investor(s) is/are interested in the Group's projects, instead of issuing Shares to places selected by the placing agent.

Since mid-July 2015, the Company has approached and had preliminary discussions with two other financial institutions, inviting them to invest in the Company by way of share subscription but no further negotiation was held as it was not in line with their investment strategies. In mid-July 2015, Mr. Ngan Iek, chairman and non-executive Director of the Company, who is also one of the shareholders of Vertic, introduced CMI Hong Kong to the Board through his personal network. As disclosed above, CMI Hong Kong, following the global strategy of China Minsheng Investment, has been exploring global investment opportunities to support the "One Belt One Road" policy, and is interested in the Bintan Project. Thus, the Board further negotiated with CMI Hong Kong in details about the terms of the Subscription. The Company and CMI Hong Kong entered into the Letter of Intent on 15 September 2015 and the Subscription Agreement on 8 October 2015 respectively.

During the negotiation, CMI Hong Kong had expressed to the Board that it wanted to subscribe for a combination of both Shares and Convertible Bonds, as the subscription for Shares entitles CMI Hong Kong to exercise its voting rights over the Company as a strategic investor, whereas the subscription for Convertible Bonds enables CMI to retrieve its principal invested at the end of the term of the Convertible Bonds. From the Company's perspective and as disclosed above, taking into account the relatively high gearing ratio of the Company, it is more beneficial to the Company if a larger proportion of the fund raising is made by issue of Shares compared to Convertible Bonds. As such, after arm's length negotiation, the parties agreed to have 90% of the Proceeds be issued as Shares and 10% of the Proceeds be issued in Convertible Bonds.

Apart from the allocation of Subscription Shares and Convertible Bonds, the interest rate for the Convertible Bonds was also determined by the parties on an arms' length basis having considered, among other things, the impact that the interest expenses may have on the Company's financial statements. The parties considered that such interest rate is beneficial to the Company as it would not impose a heavy financial burden on the Company and allow the Company to raise a considerable amount of fund at a relatively low interest rate, which CMI Hong Kong may also benefit therefrom as a Shareholder after Completion.

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## LETTER FROM THE BOARD

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Given that the interest payable to CMI Hong Kong under the Convertible Bonds is at the relatively low interest rate of 0.01% per annum on the outstanding principal, compared to financing by borrowing from banks, the amount of interest payment is not substantial and would not impose significant financial burden on the Company. In addition, should the Subscription be crystallised, the Group could enhance its overall financial position. The Board is also of the view that leveraging on the introduction of CMI Hong Kong, which the Board considers a financially strong and well-experienced investor as the Group's strategic investor, will also strengthen the Group's overall investment capability and network.

In light of the above, the Board believes that the Subscription is beneficial to the Company. After taking into consideration of the reasons and circumstances disclosed above, the Directors, including the independent non-executive Directors, consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and CMI Hong Kong and that the terms of the Subscription Agreement and the Convertible Bonds (including the Subscription Price and the Initial Conversion Price) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Since the Company would have failed to comply with the public float requirements under the GEM Listing Rules upon Completion should the shareholding of Vertic in the Company as at the Latest Practicable Date remain unchanged at Completion, to facilitate the Subscription, at the request of the Company, Vertic agreed to place down its Shares before the Completion. Save for this, as at the Latest Practicable Date, Vertic and its associates did not have any other agreement, arrangement, understandings or undertaking (whether formal or informal and whether express or implied) with the Company and/or CMI Hong Kong and did not have any material interest in the Subscription which requires it to abstain from voting in the EGM under the GEM Listing Rules.

### **POTENTIAL EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The Subscription Shares represent (i) approximately 24.64% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 19.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 19.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price.

The Conversion Shares represent (i) approximately 2.74% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) 2.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price; and (iii) 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price.

## LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Subscription but before conversion of Convertible Bonds; and (iii) immediately after the Completion and full conversion of Convertible Bonds at the Initial Conversion Price, assuming there is no change in the existing shareholding structure of the Company:

	As at the Latest Practicable Date		Immediately after the Completion but before the conversion of Convertible Bonds (for illustration purpose only)		Immediately after the Completion and full conversion of the Convertible Bonds at the Initial Conversion Price (for illustration purpose only)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Vertic (note 1)	2,100,000,000	75.00	1,927,000,000	55.21	1,927,000,000	54.03
CMI Hong Kong	-	-	690,000,000	19.77	766,600,000	21.49
Public Shareholders	700,000,000	25.00	873,000,000	25.02	873,000,000	24.48
Total	<u>2,800,000,000</u>	<u>100.00</u>	<u>3,490,000,000</u>	<u>100.00</u>	<u>3,566,600,000</u>	<u>100.00</u>

*Notes:*

- Vertic is beneficially owned as to 50% by Mr. Ngan Iek, being a non-executive Director, 25% by Ms. Ngan Iek Chan and 25% by Ms. Ngan Iek Peng. Mr. Ngan Iek is the elder brother of Ms. Ngan Iek Chan and Ms. Ngan Iek Peng.
- The Company will procure Vertic to place down not less than 173,000,000 Shares held by it before Completion in order to increase the number of Shares held by the public Shareholders so as to ensure that at least 25% of the Shares in issue are held by public shareholders. The conversion of the Convertible Bonds shall be subject to compliance with the public float requirements under the GEM Listing Rules.
- Pursuant to the terms of the Convertible Bonds, the holder of the Convertible Bonds shall not exercise the conversion right attached to the Convertible Bonds if the issue of Conversion Shares will result in less than 25% of the Shares in issue being held by public shareholders.

### SPECIFIC MANDATE

The Subscription Shares and the Conversion Shares upon conversion of the Convertible Bonds will be allotted and issued under a specific mandate to be sought for approval from the Shareholders at the EGM.



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## LETTER FROM THE BOARD

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The EGM will be held to consider and, if thought fit, pass the requisite ordinary resolution to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the specific mandate to allot and issue the Subscription Shares and the Conversion Shares upon conversion of the Convertible Bonds. CMI Hong Kong and its associates do not currently hold any Shares and will not vote on the resolution.

### EGM

A notice convening the EGM to be held at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Monday, 23 November 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 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, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement. As such, no Shareholder will be required to abstain from voting on the resolution to approve the Subscription Agreement and any vote exercised by the Shareholders taken at the EGM shall be taken by way of poll.

To the best of the knowledge, information and belief of the Directors, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

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

### APPLICATION FOR LISTING

The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares and the Conversion Shares. No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange.

**Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. People who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.**

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## LETTER FROM THE BOARD

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### RECOMMENDATION

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. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

### RESPONSIBILITY STATEMENT

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

### INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited (the "**Compliance Adviser**"), except for the compliance advisory agreement entered into between the Company and the Compliance Adviser on 7 April 2014 and the professional fee for acting as the financial adviser to the Company in connection with the Subscription, neither the Compliance Adviser nor its directors, employees or associates had any interest in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

For and on behalf of the Board  
**Link Holdings Limited**  
**Ngan Iek**  
*Chairman and non-executive Director*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **Link Holdings Limited** **華星控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 8237)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Link Holdings Limited (the “**Company**”) will be held on Monday, 23 November 2015 at 11:00 a.m. at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

#### ORDINARY RESOLUTION

“**THAT**:–

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 8 October 2015 (a copy of the Subscription Agreement has been produced to the Meeting marked “A” and initialed by the Chairman for the purpose of identification) and entered into between the Company and CMI Financial Holding Company Limited, in relation to the subscription for (i) 690,000,000 new ordinary shares of HK\$0.001 each in the capital of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.33 per Subscription Share (the “**Subscription Price**”) and (ii) the convertible bonds in the principal amount of HK\$25,278,000 (the “**Convertible Bonds**”), which entitle the holder(s) thereof to convert the principal amount into ordinary shares of HK\$0.001 each in the capital of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.33 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 fulfillment 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) 690,000,000 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
- (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.”

Yours faithfully,  
For and on behalf of the board  
**Link Holdings Limited**  
**Ngan Iek**  
*Chairman and non-executive Director*

Hong Kong, 6 November 2015

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

Unit No. 3503  
35/F, West Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at 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 adjournment thereof.
4. In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. Pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the voting on the resolution at the Meeting or any adjournment thereof will be conducted by way of poll.