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

If you have sold or transferred all your shares in **Silver Grant International Holdings Group Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED

銀建國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

**CONNECTED TRANSACTION
PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE
BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Agent



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



A letter from the board of directors of Silver Grant International Holdings Group Limited (the “**Company**”) is set out on pages 6 to 24 of this circular.

A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held at Boardroom 8, lower lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 June 2019 at 2:30 p.m. or any adjournment thereof is set out on pages 64 to 69 of this circular. A proxy form for use in the EGM is enclosed.

Whether or not you propose to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company’s share registrar and transfer office, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Hong Kong, 10 June 2019

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DEFINITIONS

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

“Board”	board of Directors
“Company”	Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Subscribers”	Regent Star, Mr. Gao, Wonderfolsky, Ms. Luk and Excel Bright
“Conversion Price”	HK\$2.33 per Conversion Share (subject to price adjustments)
“Conversion Share(s)”	the Share(s) to be issued by the Company upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the instrument constituting the Convertible Bonds
“Convertible Bond(s)”	the 7% senior unsecured and guaranteed convertible bonds in the aggregate principal amount of up to HK\$1,150,000,000 due 2022 to be issued by the Company to JIC and the Connected Subscribers under the Placing and the Subscriptions
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on Thursday, 27 June 2019 at Boardroom 8, lower lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong to consider the ordinary resolutions in relation to the Placing and the grant of the Placing Specific Mandate; and the Subscriptions and the grant of the Subscription Specific Mandate
“Excel Bright”	Excel Bright Capital Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Ms. Hui

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guarantee(s)”	the personal guarantees to be provided by Mr. Chu to the relevant subscribers pursuant to the Subscription Agreements under the Placing and the Subscriptions
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming, established to advise the Independent Shareholders in respect of the Subscriptions
“Independent Financial Adviser”	Opus 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 appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions
“Independent Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates which are independent of the Company and procured to subscribe for any of the Convertible Bonds under the Placing
“Independent Shareholder(s)”	Shareholders other than Regent Star and its associates who are required to abstain from voting on the resolutions in relation to the Subscription Agreement entered into between the Company and Regent Star and the grant of the Subscription Specific Mandate in relation thereto at the EGM
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons
“JIC”	JIC (Hong Kong) Holding Limited, a company incorporated in Hong Kong and the placee procured by the Placing Agent pursuant to the Placing Agreement

DEFINITIONS

“Latest Practicable Date”	5 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Hing Tsung, the chairman of the Company, a non-executive Director and a substantial shareholder
“Mr. Liu”	Mr. Liu Tianni, a former executive Director and the deputy managing Director of the Company who has resigned in January 2019
“Mr. Gao”	Mr. Gao Jian Min, an executive Director and the managing Director of the Company
“Ms. Hui”	Ms. Hui Xiaohui, the elder sister of Mr. Hui Xiao Bing, a former non-executive Director of the Company and the vice-chairman of the Board who has resigned in January 2019
“Ms. Luk”	Ms. Luk Ching Sanna, spouse of Mr. Liu
“Placing”	the placing of the Convertible Bonds in the principal amount of up to HK\$200,000,000 by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	CMB International Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Placing Agreement”	the placing agreement dated 20 May 2019 and entered into between the Company and the Placing Agent in respect of the Placing

DEFINITIONS

“Placing Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM to allot and issue the Conversion Shares pursuant to the Placing Agreement and the Subscription Agreement entered into between the Company and JIC
“PRC”	the People’s Republic of China
“Regent Star”	Regent Star International Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with no par value of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the Placing Specific Mandate and the Subscription Specific Mandate collectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription(s)”	the subscriptions of the Convertible Bonds in the aggregate principal amount of HK\$950,000,000 to the Connected Subscribers, among which Regent Star, Mr. Gao, Wonderfalsky, Ms. Luk and Excel Bright shall subscribed for HK\$450,000,000, HK\$200,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000
“Subscription Agreement(s)”	the five subscription agreements dated 20 May 2019 entered into between the Company and each of Regent Star, Mr. Gao, Wonderfalsky, Ms. Luk and Excel Bright in respect of the Subscriptions; and the Subscription Agreement dated 22 May 2019 entered into between the Company and JIC in respect of the Placing

DEFINITIONS

“Subscription Specific Mandate”	the respective specific mandate to be sought from the Independent Shareholders at the EGM to allot and issue the Conversion Shares pursuant to the Subscription Agreements entered with the Connected Subscribers
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Transaction Documents”	the Subscription Agreement, the Convertible Bond instrument, the Convertible Bond Certificate, the Guarantee and any other document designated in writing as such by the Company and the relevant subscriber of the Convertible Bonds
“Wonderfulsky”	Wonderful Sky Financial Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares of which are listed on the Main Board of the Stock Exchange (stock code: 1260)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED

銀建國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

Executive Directors:

Mr. Gao Jian Min (*Managing Director*)
Mr. Huang Jiajue
Mr. Luo Zhihai
Mr. Ma Yilin

Registered Office

Suite 4901
49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Non-executive Directors:

Mr. Chu Hing Tsung (*Chairman*)
Mr. Chen Zhiwei

Independent non-executive Directors:

Mr. Liang Qing
Mr. Zhang Lu
Mr. Hung Muk Ming

10 June 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 20 May 2019 and 22 May 2019 in relation to the proposed placing of Convertible Bonds to JIC under the Placing Specific Mandate pursuant to the Placing Agreement and the Subscription Agreement

LETTER FROM THE BOARD

entered into between the Company and JIC; and the proposed issue of Convertible Bonds to the Connected Subscribers under the Subscription Specific Mandate pursuant to the Subscriptions Agreements entered into between the Company and each of the Connected Subscribers.

The purpose of this circular is to provide you with (i) further details of the Placing and the Subscription; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) a notice convening the EGM.

PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE BONDS

(I) Placing of Convertible Bonds to Independent Placee(s)

On 20 May 2019 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, the principal terms of which are as follows:

Date: 20 May 2019 (after trading hours)

Parties: the Company (as issuer)

CMB International Capital Limited (as placing agent)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties

The Placing:

Pursuant to the Placing Agreement, the Company conditionally agreed to place, through the Placing Agent on a best effort basis, the Convertible Bonds of an aggregate principal amount of up to HK\$200,000,000 at the Conversion Price of HK\$2.33 to the placee(s) to be procured by the Placing Agent.

The Company should, through the Placing Agent, place the Convertible Bonds to the placee(s) who are Independent Third Parties to the best knowledge, information and belief of the Directors and having made reasonable enquiries, and enter into Subscription Agreement(s) with such Independent Placee(s).

LETTER FROM THE BOARD

Conditions Precedent:

Completion of the Placing is conditional upon fulfillment or waiver (if applicable) of the following conditions:

- (a) prior to the Independent Placee(s) having entered into the Subscription Agreement(s) with the Company: (i) the Placing Agent being satisfied with all documentation for the Placing; (ii) the Placing Agent being satisfied with the customary know-your-customer checks on the Company; (iii) in the determination of the Placing Agent, the absence of any material adverse change in the financial condition, operations or prospects of the Company; (iv) the Placing Agent being satisfied with the market conditions; and (v) the Placing Agent having received all required governmental and other approvals in relation to the Placing on its part;
- (b) the Independent Placee(s) having entered into the Subscription Agreement(s) with the Company;
- (c) the Shareholders of the Company having passed the resolution(s) to authorise the Board to approve the Placing Agreement, the Subscription Agreement(s) to be entered into between the Independent Placee(s) and the Company and the transactions contemplated thereunder at the EGM; and
- (d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds.

In the event the above conditions cannot be fulfilled on or before the long stop date of the Placing, i.e. 31 July 2019 (or such other date as the Company and the Placing Agent may agree in writing), the Placing Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof. In case all of the above conditions precedent cannot be fulfilled or waived (if applicable) before the long stop date, the Company shall re-comply with the applicable Listing Rules requirements in connection with the Placing, including the obtaining of the Shareholders' approval on the Placing, the Subscription Agreement entered between the Company and JIC and the grant of the Placing Specific Mandate.

Save for conditions (c) and (d) above, the conditions precedent to the Placing Agreement have been fulfilled as at the Latest Practicable Date.

LETTER FROM THE BOARD

Independent Placee(s):

The Convertible Bonds will be placed to Independent Placee(s) who are and whose ultimate beneficial owners are expected to be Independent Third Parties and not acting in concert (as such term is defined in Takeovers Code) with the connected persons of the Company.

Placing Period:

Commencing from the date of the Placing Agreement and terminating at completion on 31 July 2019 (or such other period as agreed by the Company and the Placing Agent in writing).

Placing Commission:

The Company shall pay to the Placing Agent a fee equal to USD120,000 (equivalent to approximately HK\$936,000) within five business days after completion of the Subscription Agreement(s) to be entered into between the Company and the Independent Placee(s). Such fee is determined after arm's length negotiations based on current market conditions and taking into account other similar transactions. The Directors are of the view that the placing commission payable for the Placing is fair and reasonable.

Termination:

The Placing Agreement shall be terminated upon the earliest of:

- (i) completion of the issue and placement of the Convertible Bonds pursuant to the Placing Agreement and the Subscription Agreement(s) to be entered into between the Company and the Independent Placee(s);
- (ii) failure to fulfil all conditions under the Placing Agreement on or before 31 July 2019; or
- (iii) in the event of any breach by the Company of any of the representations and warranties in the Placing Agreement or any event has occurred or any matter has arisen on or after the date of the Placing Agreement and prior to the completion of the issue and placement of the Convertible Bonds which would render any of such representations and warranties untrue or incorrect or there has been a material breach by the Company of any other provision of the

LETTER FROM THE BOARD

Placing Agreement, and such breach, event and matter, in the sole opinion of the Placing Agent, would be likely to prejudice materially and adversely the consummation of the Placing.

The circumstance (iii) above is only applicable prior to the signing of the Subscription Agreement(s) between the Company and the Independent Placee(s).

Completion:

Completion of the Placing shall take place upon completion of the issue and placement of the Convertible Bonds pursuant to the Placing Agreement and the Subscription Agreement(s) to be entered into between the Company and the Independent Placee(s).

As disclosed in the announcement of the Company dated 22 May 2019, the Placing Agent procured one placee, JIC, to subscribe for the Convertible Bonds with a principal amount of HK\$200,000,000 pursuant to the Placing Agreement.

Accordingly, on 22 May 2019 (after trading hours), the Company entered into the Subscription Agreement with JIC.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, JIC and its ultimate beneficial owner(s) are Independent Third Parties.

Save for (a) the date of the agreement; (b) identity of the subscriber; (c) the principal amount of the Convertible Bonds to be subscribed; and (d) the inclusion of two additional conditions precedents to the completion of the Subscription Agreement (namely, (i) Mr. Chu having executed and delivered to JIC the Guarantee; and (ii) the Company shall have completed all of the obligations under the Subscription Agreement required on or before the Completion Date); the principal terms of the Subscription Agreement entered by JIC are substantially same as to those of the Subscription Agreements entered by the Connected Subscribers on 20 May 2019. Principal terms of the Subscription Agreements are set out in the section headed “(II) Subscription of Convertible Bonds by Connected Subscribers” below.

LETTER FROM THE BOARD

(II) Subscription of Convertible Bonds by Connected Subscribers

On 20 May 2019 (after trading hours), the Company entered into the Subscription Agreements with each of Regent Star, Mr. Gao, Wonderfulsky, Ms. Luk and Excel Bright. Save for the identity of the subscribers and the principal amounts of the Convertible Bonds to be subscribed, the terms of the Subscription Agreements entered with each of the Connected Subscribers are identical in all material aspects and set out as follows:

Date: 20 May 2019 (after trading hours)

Parties: the Company (as issuer)

the relevant Connected Subscriber (as subscriber)

The Subscription:

Pursuant to the Subscription Agreements, the Company conditionally agreed to issue and the relevant Connected Subscriber conditionally agreed to subscribe for the Convertible Bonds at the Conversion Price of HK\$2.33. The principal amounts of the Convertible Bonds to be subscribed by Regent Star, Mr. Gao, Wonderfulsky, Ms. Luk and Excel Bright are HK\$450,000,000, HK\$200,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000, respectively.

Conditions Precedent:

Completion of the Subscription Agreements is conditional upon fulfillment or wavier (if applicable) of the following conditions:

- (a) the relevant subscriber having conducted due diligence exercise (technical, financial and legal) on the Group and satisfied with the results thereof;
- (b) the relevant subscriber having obtained all necessary approvals for completion of its subscription of the Convertible Bonds (in accordance with its internal decision-making procedures if such subscriber is a corporate person);
- (c) the relevant subscriber having completed all relevant third-party entities' (including but not limited to any government or regulatory department) required approval(s) and/or filing procedures for completion of its subscription of the Convertible Bonds in accordance with applicable laws;

LETTER FROM THE BOARD

- (d) the representations and warranties under the Transaction Documents being true, correct and complete when made and remaining true, correct and complete and not misleading as at the completion date;
- (e) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the relevant subscriber objects) the approval for the listing of, and permission to deal in, the Conversion Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds which remains in full force and effect;
- (f) the passing by the Shareholders or the Independent Shareholders (as the case maybe) at the general meeting to be convened by the Company of the necessary resolution(s) to approve the allotment and issuance of the Convertible Bonds and Conversion Shares under the Subscription Specific Mandate, the relevant Subscription Agreement and the transactions contemplated thereunder, and such approval not having been revoked, amended and having remained fully effective;
- (g) the compliance by the Company of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the relevant Subscription Agreement and transactions contemplated thereunder; and
- (h) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the relevant Subscription Agreement and/or the performance of the obligations thereunder by the Company.

Save for conditions (e) to (h), all other conditions may be waived by the relevant subscriber in whole or in part in writing. Each of the Company and the relevant subscriber shall use their respective best endeavours to procure the satisfaction of the conditions above on or before the long stop date of the Subscription Agreement, i.e. 31 July 2019 (or such other date as the Company and the relevant subscriber may agree in writing), failing which the relevant Subscription Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof. In case all of the above conditions precedent cannot be fulfilled or waived (if applicable) before the long stop date, the Company shall re-comply with the applicable Listing Rules

LETTER FROM THE BOARD

requirements in connection with each of the Subscriptions, including the obtaining of the Independent Shareholders' approval on each of the Subscriptions, the respective Subscription Agreements entered between the Company and each of the Connected Subscribers and the grant of the respective Subscription Specific Mandate.

As at the Latest Practicable Date, save for conditions (e) and (f), the conditions precedent to all the Subscription Agreements have been fulfilled.

Guarantee:

Pursuant to the relevant Subscription Agreement, Mr. Chu shall provide the Guarantee to the relevant subscriber on or around the date of the relevant Subscription Agreement.

Completion:

Completion of the relevant Subscription Agreement shall take place on the third (3rd) business day after all conditions precedent under the relevant Subscription Agreement are fulfilled or waived (if applicable), or such other date as the Company and the relevant subscriber may agree in writing.

The Subscription Agreement entered by JIC and each of the Connected Subscribers are independent and not inter-conditional upon each other.

GUARANTEE

Pursuant to the Guarantee provided by Mr. Chu as guarantor in favour of the relevant subscribers under the Subscription Agreements entered with JIC and the Connected Subscribers, Mr. Chu shall unconditionally and irrevocably guarantee, as principal debtor and not merely as surety, guarantee the due and punctual payment of all or any sums (whether principal, interest, fees or otherwise) which are or at any time may become due and payable by the Company to the subscriber under the Transaction Documents; and (ii) the due and punctual performance and observance by the Company of its obligations under the Transaction Documents (the "**Guaranteed Obligations**"). In the event the Company defaults for any reason whatsoever in the performance of any of the Guaranteed Obligations, Mr. Chu shall forthwith upon receipt of the written demand from the relevant subscriber, perform and satisfy (or procure the performance and satisfaction of) the obligation or liability in regard to which such default has been made in the manner prescribed by the Transaction Documents.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Chu is the chairman of the Company, a non-executive Director and a substantial shareholder of the Company. Accordingly, he is a connected person of the Company and the Guarantees provided by him constitute connected transactions of the Company. Nonetheless, since the Guarantees will be provided by Mr. Chu on normal commercial terms or better to the Group, and do not required to be secured by the assets of the Group, such financial assistance provided by Mr. Chu is fully exempt from the announcement, shareholders' approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.

CONVERTIBLE BONDS

Principal terms:

Save for the principal amount of the Convertible Bonds to be subscribed by each of the subscribers, the principal terms of the Convertible Bonds to be issued under the Subscriptions are identical in all material aspects, a summary of which are as follows:

Issuer	:	the Company
Principal Amount	:	Up to HK\$1,150,000,000 in aggregate (among which a principal amount up to HK\$200,000,000 will be placed to JIC through the Placing; and Regent Star, Mr. Gao, Wonderfulsky, Ms. Luk and Excel Bright will subscribe for the principal amounts of HK\$450,000,000, HK\$200,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000, respectively).
Issue Price	:	100% of the principal amount of the Convertible Bonds.
Denomination	:	HK\$10,000,000
Maturity Date	:	36th month from the issue date of the Convertible Bonds

LETTER FROM THE BOARD

- Interest : 7% per annum payable semi-annually from the issue date of the Convertible Bonds. Assuming there be no early redemption of the Convertible Bonds and all of the Convertible Bonds are redeemed only on the Maturity Date, the effective interest rate of the Convertible Bonds is approximately 12.00% per annum.
- Conversion Price : HK\$2.33 per Conversion Share, subject to adjustment upon occurrence of events which include consolidation, sub-division and reclassification of the Shares; capitalization of profits; capital distributions; rights issues of Shares, options over Shares or other securities of the Company; issue of Shares or other securities of the Company in discount; modification of rights of conversion and other offer of securities.

The Conversion Price represents:

- (i) a premium of approximately 39% to the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on 20 May 2019, being the date of the Placing Agreement and the Subscription Agreements; and
- (ii) a premium of approximately 40% to the average closing price of HK\$1.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement and the Subscription Agreements.

The Conversion Price was determined after the Company having conducted arm's length negotiations between the Connected Subscribers and the Placing Agent, respectively, with reference to the prevailing market price of the Shares as quoted on the Stock Exchange.

LETTER FROM THE BOARD

Conversion Shares : The Conversion Shares will be credited as fully paid and rank pari passu in all respects with, and within the same class as the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Upon completion of the Placing and the Subscription and assuming the aggregate principal amount of up to HK\$1,150,000,000 of the Convertible Bonds is issued by the Company and there is full conversion of the Convertible Bonds at the Conversion Price of HK\$2.33 per Share, an aggregate of 493,562,227 Conversion Shares shall be allotted and issued (among which 85,836,909 Conversion Shares will be issued under the Placing and 407,725,318 Conversion Shares will be issued under the Subscriptions), representing approximately 21.4% of the total number of Shares in issue as at the Latest Practicable Date and approximately 17.6% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

Conversion Period : From the issue date of the Convertible Bonds up to the close of business on a date which is five (5) trading days prior to the maturity date.

Conversion restrictions : A bondholder can only exercise its conversion rights on the conditions that (i) no obligation will arise on the bondholder to make a general offer to the shareholders of the Company for all securities of the Company under Rule 26 of the Takeovers Code upon exercising of Conversion Rights hereunder; and (ii) no Listing Rules, including the minimum public float requirements of the Company under Listing Rules, will be breached as a result of an exercise of Conversion Rights hereunder.

LETTER FROM THE BOARD

Redemption on maturity : Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the maturity date at such amount equivalent to 116.5% of the principal amount of the outstanding Convertible Bonds (inclusive of interests received up to the maturity date)

Early Redemption : *By the Company:*

The Company may at any time during the Conversion Period, having given not less than thirty (30) days' irrevocable notice to the bondholders, redeem all or part of the Convertible Bonds in integral multiple of HK\$10,000,000 at the early redemption amount.

The early redemption amount shall be the principal amount of the Convertible Bonds (including the outstanding and unpaid interest and other amounts (if any) calculated up to the early redemption date) (the "**Applicable Redemption Amount**") plus an amount that would make up an aggregate internal rate of return on the relevant amount of the Convertible Bonds at 12% per annum thereon (having included the interest paid) calculated from the Issue Date to (and including) the early redemption date.

Upon occurrence of event(s) of default:

A bondholder may require the Company to redeem all or part of the Convertible Bonds in integral multiple of HK\$10,000,000 at the Early Redemption Amount any time after the occurrence of an event of default. The early redemption amount shall be the principal amount of the Applicable Redemption Amount plus an amount that would make up an aggregate internal rate of return on the relevant portion of the principal amount of Bonds at fifteen per cent (15%) per annum (having included the interest paid, but excluding all default interest (whether accrued, paid or unpaid)) calculated during the period from the Issue Date to (and including) the actual date of payment.

LETTER FROM THE BOARD

- Default interest : Upon the occurrence of an event of default, an additional default interest of 24% per annum will be accrued on the basis of the actual number of days elapsed and a 360-day year from the date of occurrence of such event of default and ending on the date on which full payment is made to the bondholder in accordance with the terms and conditions of the Convertible Bonds.
- Transferability : Subject to compliance with applicable laws, rules and regulations (including but not limited to the Listing Rules and the Takeovers Code), the Convertible Bonds are transferrable in integral multiple of HK\$10,000,000 except to direct competitors of the Company.
- Status and listing : The Convertible Bonds constitute direct, 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 pari passu with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company.

No application is intended to be made for the listing of the Convertible Bonds on any stock exchange.

LETTER FROM THE BOARD

The Convertible Bonds shall not confer on the bondholder(s) any right to attend or vote at any general meeting of the Company.

The Conversion Shares to be issued upon exercise of Conversion Rights under the Convertible Bonds will be issued under the Placing Specific Mandate and the Subscription Specific Mandate, which are subject to approval by the Shareholders and the Independent Shareholders at the EGM.

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

INFORMATION OF THE COMPANY, JIC AND THE CONNECTED SUBSCRIBERS

The Company is a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange. The Group is principally engaged in property investment, property leasing, other investments and production and trading of petrochemical products.

JIC is a company incorporated in Hong Kong. It is principally engaged in debt issuance, asset management and enterprise management.

Regent Star is a company incorporated in the British Virgin Islands which is indirectly wholly-owned by China Cinda Asset Management Co., Ltd., a company incorporated in the PRC whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 1359). Regent Star is principally engaged in domestic and foreign non-performing assets investment, equity investment, mezzanine investments, debt investments and securities investments, medium and long-term bonds issuance, high quality assets and structured fixed income products and cross-border financial services. As at the Latest Practicable Date, Regent Star directly owns 438,056,000 Shares, representing approximately 19.01% of the issued share capital of the Company. Accordingly, it is a connected person of the Company.

Mr. Gao is a resident of Hong Kong. As at the Latest Practicable Date, he is an executive Director and the managing Director. Accordingly, Mr. Gao is a connected person of the Company.

Wonderfulsky is a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1260). It is principally engaged in the provision of financial public relations services and arrangement and coordination of international roadshows. As at the Latest Practicable Date, Mr. Liu, a former executive Director and the deputy managing Director of the Company who resigned from the aforesaid positions in January 2019, indirectly owns approximately 67.56% of the issued share capital of Wonderfulsky. Accordingly, Wonderfulsky is an associate of Mr. Liu and therefore a connected person of the Company.

LETTER FROM THE BOARD

Ms. Luk is a resident of Hong Kong. As at the Latest Practicable Date, she is spouse of Mr. Liu. Accordingly, Ms. Luk is an associate of Mr. Liu and therefore a connected person of the Company.

Excel Bright is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in general investment in Hong Kong. As at the Latest Practicable Date, it is wholly-owned by Ms. Hui, the elder sister of Mr. Hui Xiao Bing, a former non-executive Director and the vice-chairman of the Board who has resigned in January 2019. Accordingly, Excel Bright is an associate of Mr. Hui and therefore a connected person of the Company.

REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION

The Directors consider that the issue of the Convertible Bonds will provide the Company with (i) immediate funding to repay its short-term debt and optimize its capital structure without immediate dilution of the shareholding of the existing Shareholders; (ii) funding for its expansion to financial investment and service businesses to further diversify its exposure to specific markets and operations; (iii) an opportunity to enlarge and strengthen its capital base and also broaden its shareholder base by the introduction of new investors, if the Conversion Rights attached to the Convertible Bonds are exercised.

Despite the effective interest rate of the Convertible Bonds of approximately 12.00% per annum (assuming all Convertible Bonds will only be redeemed on the Maturity Date) appears to be higher than the interest rates of the Company's bank loans for the year ended 31 December 2018 which ranged from approximately 3.38% to 3.50% per annum, the Company believes the Placing and the Subscription is a preferable source of financing since (1) having compared to the Convertible Bond with a term of three years, a majority of the Hong Kong dollar denominated bank loans are short-term loans which are subject to review and renewal by the banks on an annual basis, which may lead to uncertainty on the stability to the funding of the Group; (2) the bank loans are mainly for working capital purpose and mainly consist of one to three months revolving loans which are again subject to bank's approval upon each roll over. Moreover, the banks also restrict the use of the loans such as and for the time being not allow to be used in making investments in properties related business, and investment in natural resources; and (3) the bank loans were required to be secured by the investment properties and the leasehold properties other than of the Group whilst the Convertible Bonds require no security from the Group but the guarantee provided by Mr. Chu. As such, despite the Convertible Bonds have a higher interest rate as compared to the bank loans, the Convertible Bonds enable the Board to formulate the medium term business strategies of the Group, especially in relation to making future investments, and allow the Board to achieve its investment goals with a longer term funding.

LETTER FROM THE BOARD

It is noted that upon Completion and assuming full conversion of the Convertible Bonds by the Subscribers, the shareholding of the existing Shareholders (other than the Subscribers) will be diluted, details of which are set out in the sub-section headed “Effects on Shareholding Structure of the Company” in this circular.

Save and except for (i) Mr. Gao who will abstain for the board resolutions in respect of his subscription of the Convertible Bonds of HK\$200,000,000; (ii) Mr. Ma Yilin and Mr. Chen Zhiwei who also hold the positions of director and/or senior management in Regent Star or its associates are considered to have material interest in the Subscription and abstained from voting on the relevant board resolutions in respect of Regent Stars subscription of the Convertible Bonds of HK\$450,000,000; and the Board (including the independent non-executive Directors whose views on the Subscriptions have been set out in the letter from the Independent Board Committee in this circular after having considered the advice of the Independent Financial Adviser) considers that the terms of the Placing Agreement and the Subscription Agreements entered with JIC and the Connected Subscribers are fair and reasonable and the entering into of the Placing Agreement and the Subscription Agreements entered with JIC and the Connected Subscribers is in the interests of the Company and the Shareholders as a whole.

PROPOSED USE OF PROCEEDS FROM THE ISSUE OF THE CONVERTIBLE BONDS

The gross proceeds from the issue of Convertible Bonds will be approximately HK\$1,150,000,000. The net proceeds from the issue of the Convertible Bonds, after deduction of all relevant costs and expenses, will be approximately HK\$1,147,000,000, among which (i) approximately HK\$500,000,000 will be used for repaying the Company’s short-term debt, which comprises the short-term bank loans with an aggregate outstanding amount of approximately HK\$480,000,000 with an interest rate ranging from approximately 3.38% to 3.50% per annum; (ii) approximately HK\$400,000,000 will be used for expanding the Company’s business to financial investment and service industry, such as acquisition of and investment in distressed debt in the PRC; and (iii) approximately HK\$250,000,000 will be used as general working capital of the Company, which will be reserved for safeguarding the Group’s liquidity after repayment of the short term bank loans and maintaining a sufficient cash level to seize any opportunity in making new investments in Hong Kong when such opportunity(ies) arise.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not carry out any equity fund raising activity in the past twelve months.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon full conversion of the Convertible Bonds under the Placing; (iii) upon full conversion of the Convertible Bonds under the Subscriptions; and (iv) upon full conversion of the Convertible Bonds under the Placing and the Subscriptions (assuming no other change in the issued share capital of the Company in circumstances (ii), (iii) and (iv)):

Shareholders	As at the		Upon full conversion of		Upon full conversion of		Upon full conversion of	
	Latest Practicable Date		the Convertible Bonds		the Convertible Bonds		the Convertible Bonds	
	<i>No. of Shares</i>	<i>%</i>						
Zhuguang Holdings ⁽¹⁾	681,240,022	29.56	681,240,022	28.5	681,240,022	25.1	681,240,022	24.3
Regent Star	438,056,000	19.01	438,056,000	18.3	631,189,047	23.3	631,189,047	22.6
Mr. Gao	—	—	—	—	85,836,909	3.1	85,836,909	3.1
Wonderfulsky	—	—	—	—	42,918,454	1.6	42,918,454	1.5
Ms. Luk	—	—	—	—	42,918,454	1.6	42,918,454	1.5
Excel Bright	—	—	—	—	42,918,454	1.6	42,918,454	1.5
JIC	—	—	85,836,909	3.6	—	—	85,836,909	3.1
Other public shareholders	1,185,553,589	51.43	1,185,553,589	49.6	1,185,553,589	43.7	1,185,553,589	42.4
Total	2,304,849,611	100.00	2,390,686,520	100.00	2,712,574,929	100.00	2,798,411,838	100.00

Note:

- (1) Zhuguang Holdings Group Company Limited (“**Zhuguang Holdings**”) owns 681,240,022 Shares through its wholly-owned subsidiary Splendid Reach Limited. Zhuguang Holdings is owned as to 61.92% by Rong De Investments Limited, and Mr. Liao Tengjia and Mr. Chu, the chairman of the Company holds 36% and 34.06% equity interest in Rong De Investments Limited.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Connected Subscribers are connected persons of the Company for the reasons as detailed in the section headed “Information of the Company and the Connected Subscribers”. Accordingly, the transactions contemplated under the Subscription Agreements entered with the Connected Subscribers constitute connected transactions of the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

EGM

A notice convening the EGM is set out on pages 64 to 69 of this circular. The EGM will be held at Boardroom 8, lower lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 June 2019 at 2:30 p.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, the Placing and the grant of the Placing Specific Mandate; and the Subscriptions and the grant of the Subscription Specific Mandate.

As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, Regent Star and its associate(s) was interested in 438,056,000 Shares, representing approximately 19.01% of the total number of Shares in issue. Regent Star is considered to have material interests in the transactions contemplated under the Subscription Agreement, Regent Star and its associate(s) will therefore abstain from voting on the resolution in relation to the Subscription Agreement entered into between the Company and Regent Star and the grant of the Subscription Specific Mandate in relation thereto at the EGM. Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the Latest Practicable Date, no other Shareholder had a material interest in the Placing and/or the Subscriptions and is required to abstain from voting on the proposed resolutions at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM or any adjournment thereof, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s share registrar and transfer office, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later 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.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, the proposed resolutions put to the vote of the Shareholders and/or the Independent Shareholders at the EGM will be taken by poll. The results of the voting at the EGM will be announced by the Company following the conclusion thereof.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Subscriptions and the grant of the Subscription Specific Mandate. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Having considered the reasons and benefits to the Group to be brought by the Placing and the Subscriptions, and the advice of the Independent Financial Adviser on the Subscriptions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscriptions on normal commercial terms and the grant of the Placing Specific Mandate and the Subscription Specific Mandate are in the interests of the Company and the Shareholders as a whole and they are fair and reasonable to the Company, respectively. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders and the Independent Shareholders (as the case may be) to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Placing and the grant of the Placing Specific Mandate; and the Subscriptions and the grant of the Subscription Specific Mandate.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board

Silver Grant International Holdings Group Limited

Huang Jiajue
Executive Director

**SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED****銀建國際控股集團有限公司***(Incorporated in Hong Kong with limited liability)***(Stock Code: 171)**

10 June 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER THE
SUBSCRIPTION SPECIFIC MANDATE**

We refer to the circular of the Company dated 10 June 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

Under the Listing Rules, the Subscription Agreements entered in between the Company and each of the Connected Subscribers and the respective transactions contemplated thereunder constitute connected transactions for the Company and is thus subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board as members of the Independent Board Committee to consider and to advise you on the terms of the Subscription Agreements entered in between the Company and each of the Connected Subscribers and the transactions contemplated thereunder. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to the letter of advice from Opus Capital Limited set out on pages 27 to 56 of the Circular for details. Your attention is also drawn to the letter from the Board set out on pages 6 to 24 of the Circular.

Having considered the terms of the Subscription Agreements entered in between the Company and each of the Connected Subscribers and the transactions contemplated thereunder as well as the advice of Opus Capital Limited, we are of the opinion that the terms of the said Subscription Agreements and the transactions contemplated thereunder, including the grant of the Subscription Specific Mandate, are on normal commercial terms, fair and reasonable, and in the interest of the Group and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Liang Qing

Mr. Zhang Lu

Mr. Hung Muk Ming

Independent non-executive Directors

Set out below is the text of a letter received from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

10 June 2019

To: The Independent Board Committee and the Independent Shareholders of Silver Grant International Holdings Group Limited

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED PLACING AND SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscriptions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 10 June 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 May 2019 (after trading hours), the Company entered into: (i) the Placing Agreement with the Placing Agent, pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best efforts basis, the Convertible Bonds of an aggregate principal amount of up to HK\$200,000,000 at the Conversion Price of HK\$2.33 per Share to Independent Placee(s) to be procured by the Placing Agent; and (ii) five (5) subscription agreements with each of Regent Star, Mr. Gao, Wonderfolsky, Ms. Luk and Excel Bright (the “**Connected Subscription Agreements**”). Pursuant to the

respective Connected Subscription Agreements, the Company conditionally agreed to issue Convertible Bonds at the Conversion Price of HK\$2.33 per Share as below:

Connected Subscriber	Principal amount (HK\$)
Regent Star	450,000,000
Mr. Gao	200,000,000
Wonderfulsky	100,000,000
Ms. Luk	100,000,000
Excel Bright	100,000,000

On 22 May 2019, the Placing Agent procured one placee, JIC to subscribe for the Convertible Bonds with a principal amount of HK\$200,000,000 pursuant to the Placing Agreement. Accordingly, on 22 May 2019 (after trading hours), the Company entered into the Subscription Agreement with JIC. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, JIC and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Convertible Bonds to be issued under the Placing and the Subscriptions are identical in all material aspects. The Subscription Agreement entered by JIC and the Connected Subscription Agreements are independent and not inter-conditional upon each other. In addition, the Subscription by the Connected Subscribers is also not inter-conditional upon each other. Furthermore, the performance of the Company's obligations under the Subscription Agreements and the Convertible Bonds under the Placing and the Subscriptions are secured by the Guarantee provided by Mr. Chu.

Assuming that: (i) there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the completion of the Placing and the Subscriptions; (ii) the aggregate principal amount of up to HK\$1,150,000,000 of the Convertible Bonds is issued by the Company; and (iii) full conversion of the Convertible Bonds at the Conversion Price of HK\$2.33 per Share, an aggregate of 493,562,227 Conversion Shares shall be allotted and issued, representing approximately 21.4% of the total number of Shares in issue as at the Latest Practicable Date and approximately 17.6% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate upon conversion of the Convertible Bonds.

As at the Latest Practicable Date: (i) Regent Star is a substantial shareholder (as defined in the Listing Rules) of the Company and directly owns 438,056,000 Shares, representing approximately 19.01% of the total issued Shares of the Company; (ii) Mr. Gao is an executive Director and the managing Director of the Company; (iii) Mr. Liu, a former

executive Director and the deputy managing Director of the Company who resigned from the aforesaid positions in January 2019, indirectly owns approximately 67.56% of the issued share capital of Wonderfalsky. Accordingly, Wonderfalsky is an associate of Mr. Liu; (iv) Ms. Luk is the spouse of Mr. Liu. Accordingly, Ms. Luk is an associate of Mr. Liu; (v) Excel Bright is wholly-owned by Ms. Hui, the elder sister of Mr. Hui Xiao Bing, a former non-executive Director and the vice-chairman of the Board who resigned in January 2019. Accordingly, Excel Bright is an associate of Mr. Hui. Therefore, each of Regent Star, Mr. Gao, Wonderfalsky, Ms. Luk and Excel Bright is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Connected Subscription Agreements with the Connected Subscribers constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Connected Subscription Agreements and the transactions contemplated thereunder, as: (i) Mr. Gao is an executive Director and the managing Director of the Company, he is considered to have material interest in the Connected Subscription Agreements and is required to abstain from voting on the relevant Board resolution relating to his subscription of the Convertible Bonds with principal amount of HK\$200,000,000; and (ii) Mr. Ma Yilin and Mr. Chen Zhiwei who are executive Directors and also hold the positions of director and/or senior management in Regent Star or its associates, both Mr. Ma Yilin and Mr. Chen Zhiwei are considered to have material interest in the Subscription by Regent Star and are required to abstain from voting on the relevant Board resolutions in respect of Regent Star's subscription of the Convertible Bonds of HK\$450,000,000.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Wonderfalsky, Ms. Luk, Mr. Gao and Excel Bright (together with their respective associates) does not own any voting rights in the share capital of the Company. Save for Regent Star and its associates who will abstain from voting on the resolution in relation to the Connected Subscription Agreement entered into between the Company and Regent Star and the grant of Subscription Specific Mandate in relation thereto at the EGM, no other Shareholder is required to abstain from voting at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming, being all the independent non-executive Directors, has been formed to advise and make recommendations to the Independent Shareholders in respect of the Connected Subscription Agreements and the transactions contemplated thereunder. Our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Connected Subscription Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the entering of the Connected Subscription Agreements were in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote on the resolutions to approve the Connected Subscription Agreements and the transactions contemplated thereunder at the EGM.

OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, the Connected Subscribers or any other parties that could reasonably be regarded as relevant to our independence as at the Latest Practicable Date. Apart from normal independent financial advisory fees payable to us in connection with this appointment, 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.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual reports for the years ended 31 December 2016 (the "**2016 Annual Report**"), 2017 (the "**2017 Annual Report**") and 2018 (the "**2018 Annual Report**");
- (ii) the Connected Subscription Agreements; and
- (iii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to 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 and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

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

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Connected Subscription Agreements, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Connected Subscription Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group is principally engaged in: (i) property leasing; (ii) investments; (iii) production and trading of petrochemical products; and (iv) provision of sub-contracting services related to production of petrochemical products.

For property leasing business, the Group currently owns investment properties for commercial and residential uses in Hong Kong and Beijing, China. A significant portion of the Group's rental income was generated from leasing the East Gate Plaza in Beijing, the occupation rate of which reached approximately 95% for the year ended 31 December 2018.

With regard to the investment business, the Group has minority interests in several Chinese enterprises principally engaged in trading of copper on both spot and futures markets, provision of solar thermal electric system solutions or data management services. The Group has established a partnership with a Chinese company to invest in unlisted entities in new technology sector. It has also entered into a trust agreement with National Trust Ltd. for a one-year term in 2017, which will apply the Group's investment in merger, acquisition and reorganisation funds.

The Group mainly conducted the businesses of production and trading of petrochemical products and the provision of sub-contracting services related to production of petrochemical products through its subsidiary, Tai Zhou United East Petrochemical Company Limited ("**TZ United East**"), and Zhong Hai You Qi (Taizhou) Petrochemical Company Limited ("**Zhong Hai**"), which is an associate company of the Group. As disclosed in the circular of the Company dated 23 April 2019, China Offshore Bitumen (Taizhou) Co., Ltd. (a company in which CNOOC Refinery Co., Ltd. ("**CRCL**") is a majority shareholder), Zhong Hai (which CRCL is also a major shareholder) and TZ United East entered into a merger agreement to reorganise the business operations and consolidate the assets of these companies (the "**Reorganisation**").

As advised by the Management, the Group intends to venture into the financial services industry. As disclosed in the announcement of the Company dated 12 March 2019, the Group has entered into a non-legally binding letter of intent for a potential acquisition of equity interest in a company in the PRC which holds a portfolio of debt assets in the PRC and is principally engaged in the provisions of investment advisory and corporate management services.

2. Financial information of the Group

Set out below is a summary of the financial results of the Group for each of the three years ended 31 December 2016 ("**FY2016**"), 2017 ("**FY2017**") and 2018 ("**FY2018**"), as extracted from the 2017 Annual Report and the 2018 Annual Report:

Table 1: Highlight of the financial results of the Group

	FY2018	%	FY2017	%	FY2016^(Note)	%
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
Revenue	511,746		905,740		169,094	
— Rental income	105,624	20.6	100,439	11.1	120,280	71.1
— Sales of petrochemical products	20,178	3.9	90,143	10.0	48,814	28.9
— Sub-contracting income	385,944	75.5	715,158	78.9	—	—
Gross profit	134,343		346,758		115,472	
Finance cost	(113,333)		(178,446)		(173,161)	
(Loss)/profit for the year	(166,167)		321,201		(151,109)	
(Loss)/profit for the year from continuing operations attributable to owners of the Company	(49,375)		259,834		(40,442)	

Source: the 2018 Annual Report and the 2017 Annual Report

Note:

The property management business has been discontinued by the Group in FY2017. As such, the financial performance of FY2016 has been restated for comparison purpose.

FY2017 vs FY2016

In FY2016, rental income contributed over 70% of the Group's total revenue generated from continuing operations. In FY2017, over 75% of the Group's total revenue was generated from the sub-contracting services. The Group's revenue increased by more than four-fold from approximately HK\$169.1 million in FY2016 to approximately HK\$905.7 million in FY2017, which was primarily due to the commencement of the sub-contracting services by TZ United East in 2017. As disclosed in the 2017 Annual Report, TZ United East and Zhong Hai entered into joint production arrangements to improve their production efficiency in 2017. Under the joint production arrangements, Zhong Hai provides TZ United East with raw materials and sub-contract the production process to TZ United East. In return, TZ United East receives sub-contracting income from Zhong Hai.

The gross profit increased from approximately HK\$115.5 million in FY2016 to approximately HK\$346.8 million in FY2017, representing approximately 200.3% increase. As disclosed in the 2017 Annual Report, it was mainly attributable to the significant increase in the gross profit generated from the production and trading of petrochemical products and provision of sub-contracting services, which recorded a segment profit of approximately HK\$88.5 million in FY2017 while it recorded a segment loss of approximately HK\$214.0 million in FY2016.

The Group experienced a turnaround in its financial performance from a loss position of approximately HK\$151.1 million in FY2016 to a net profit of approximately HK\$321.2 million in FY2017. It was mainly attributable to the significant improvement in the operating results achieved by TZ United East through the provision of sub-contracting services. As disclosed in the 2017 Annual Report, TZ United East recorded a significant improvement in net loss position by more than 90.0% from approximately a loss of HK\$357.8 million in FY2016 to approximately HK\$27.1 million in FY2017. Profit contribution from associate company, Zhong Hai, also registered a sharp increase of approximately 767.2% from approximately HK\$29.0 million in FY2016 to approximately HK\$251.5 million in FY2017 due to the enhanced production efficiency achieved through the joint production arrangements with TZ United East.

FY2018 vs FY2017

In FY2018, the Group recorded a decrease of approximately 43.5% in revenue from approximately HK\$905.7 million in FY2017 to approximately HK\$511.7 million in FY2018. It was mainly attributable to the reduction in sub-contracting income which declined from approximately HK\$715.2 million in FY2017 to approximately HK\$385.9 million in FY2018, representing a drop of approximately 46.0%. As disclosed in the 2018 Annual Report, the significant decrease in the sub-contracting income was due to the voluntary suspension of production by TZ United East (the “**Suspension**”) for a five-month period from May 2018 to September 2018 (the “**Suspension Period**”) to carry out mandatory major overhaul work on its production facilities.

The Suspension has also led to the decrease in gross profit from approximately HK\$346.8 million in FY2017 to approximately HK\$134.3 million in FY2018, representing a decline of approximately 61.3%.

The Group recorded a net loss of approximately HK\$166.2 million in FY2018, which was largely attributable to the deteriorated operating results of TZ United East and the decrease in profit contribution from associate company, Zhong Hai. The

financial performance of TZ United East and Zhong Hai were adversely affected by the Suspension and the tumbling international crude oil prices during the period. TZ United East was unable to generate sub-contracting income during the Suspension Period, thus resulting in a significant operating loss of approximately HK\$373.6 million in FY2018. On the other hand, the profit margin of Zhong Hai had also been substantially reduced as a result of the Suspension. Further, the international crude oil prices recorded a significant drop in the last two months in 2018, leading to a provision of impairment before taxation on inventories of approximately HK\$165.5 million was made by Zhong Hai at its year end. As a result, the Group recorded a much lower profit contribution from Zhong Hai of approximately HK\$66.4 million in FY2018 as compared with approximately HK\$251.5 million in FY2017, representing a decrease of approximately 73.6%.

Set out below is the summary of the financial positions of the Group as at 31 December 2016, 2017 and 2018, as extracted from the 2018 Annual Report and 2017 Annual Report:

Table 2: Highlight of the financial position of the Group

	Audited		
	As at 31 December		
	2018	2017	2016^(Note)
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Non-current assets	8,365.4	8,598.9	7,490.2
Current assets	2,979.6	3,347.4	3,246.1
— <i>Bank balance and cash</i>	497.2	301.9	735.0
— <i>Restricted cash</i>	362.5	1,183.3	1.7
Current liabilities	2,288.5	3,235.5	2,444.1
— <i>Borrowings</i>	1,723.5	2,241.2	1,621.0
Non-current liabilities	1,453.4	1,222.3	1,701.5
— <i>Borrowings</i>	1,200.3	989.9	1,487.1
Total equity	7,603.1	7,488.5	6,590.7

Source: the 2018 Annual Report and the 2017 Annual Report

Note:

The property management business has been discontinued by the Group in FY2017. As such, the financial position of the Group as at 31 December 2016 has been restated for comparison purpose.

As at 31 December 2017

As at 31 December 2017, the Group recorded total assets of approximately HK\$11.9 billion, representing an increase of approximately 11.2% from that of approximately HK\$10.7 billion as at 31 December 2016. The increase was primarily attributable to: (i) increase in cash and bank balances (including restricted cash) of approximately HK\$748.4 million which was mainly attributable to the net cash generated from operating activities; and (ii) increase in available-for-sale investments of approximately HK\$618.0 million.

As at 31 December 2017, total liabilities of the Group increased by approximately 9.8% to approximately HK\$4.5 billion from approximately HK\$4.1 billion as at 31 December 2016. This was largely due to: (i) increase in borrowings of approximately HK\$123.0 million; and (ii) increase in accrued expenses, rental deposits and other payables by approximately 32.3% from approximately HK\$717.1 million as at 31 December 2016 to approximately HK\$948.7 million as at 31 December 2017.

As at 31 December 2018

As at 31 December 2018, total assets of the Group amounted to approximately HK\$11.3 billion, representing a slight decrease of approximately 5.0% from approximately HK\$11.9 billion as at 31 December 2017. The decrease was primarily attributable to a decrease in cash and bank balances (including restricted cash) of approximately HK\$625.5 million or 42.1% as at 31 December 2018, which was due to the partial repayment of bank loans and repayment of HK\$391.1 million to a company controlled by a former Director.

As at 31 December 2018, total liabilities of the Group was approximately HK\$3.7 billion, representing a decrease of approximately 17.8% when compared to approximately HK\$4.5 billion as at 31 December 2017. The decrease was mainly attributable due to: (i) decrease in borrowings of approximately HK\$307.3 million; and (ii) decrease in accrued charges, rental deposits and other payables of approximately HK\$427.8 million. Total borrowings of the Group stood at approximately HK\$2.9 billion as at 31 December 2018, of which approximately HK\$1.7 billion will be due within one year.

3. Information of the Connected Subscribers

Regent Star is a company incorporated in the British Virgin Islands which is directly wholly-owned by China Cinda Asset Management Co., Ltd., a company incorporated in the PRC whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 1359). As at the Latest Practicable Date, it directly owns 438,056,000 Shares, representing approximately 19.01% of the issued share capital of the Company. Its principal business involves domestic and foreign non-performing assets investment, equity investment, mezzanine investments, debt investments and securities investments, medium and long-term bonds issuance, investment in high quality assets and structured fixed income products and cross-border financial services.

Wonderfulsky is a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1260). It is principally engaged in the provision of financial public relations services and arrangement and coordination of international roadshows. As at the Latest Practicable Date, Mr. Liu, a former executive Director and the deputy managing Director of the Company resigned from the aforesaid positions in January 2019 and indirectly owns approximately 67.56% of the issued share capital of Wonderfulsky.

Ms. Luk is a resident of Hong Kong. As at the Latest Practicable Date, Ms. Luk is the spouse of Mr. Liu.

Mr. Gao is a resident of Hong Kong. As at the Latest Practicable Date, he is an executive Director and the managing Director of the Company.

Excel Bright is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in general investment in Hong Kong. As at the Latest Practicable Date, it is wholly-owned by Ms. Hui, the elder sister of Mr. Hui Xiao Bing, a former non-executive Director and the vice-chairman of the Board who resigned in January 2019.

4. Reasons for and benefits of the Placing and Subscription and intended use of proceeds

The Group recorded total cash and bank balances (including restricted cash) amounted to approximately HK\$0.9 billion as at 31 December 2018. On the other hand, the Group had total borrowings of approximately HK\$2.9 billion on the

same date, out of which approximately HK\$1.7 billion is due within one year. As mentioned in section headed “1. Information of the Group” in relation to the Reorganisation, the assets and liabilities of TZ United East will be absorbed into Zhong Hai such that the Group’s total borrowing will be reduced to approximately HK\$1.1 billion, out of which approximately HK\$513.0 million is due within one year upon completion of the Reorganisation.

The net proceeds from the issue of Convertible Bonds is estimated to be approximately HK\$1.15 billion. As discussed with the Management, the Group has been working towards increasing liquidity and strengthening capital structure to improve its financial performance. As such, the Company intends to utilise: (i) approximately HK\$500.0 million of the net proceeds to repay the Group’s outstanding borrowings due within one year of approximately HK\$513.0 million; and (ii) approximately HK\$250.0 million of the net proceeds to replenish the Group’s working capital, which will substantially reduce the short-term liabilities and increase the cash and bank balances of the Group, so as to optimise the Group’s debt structure, lower liquidity risk and facilitate the Group to seize potential investments in Hong Kong. As most of the existing cash and cash equivalent (excluding restricted cash) are denominated in Renminbi, it is not freely convertible into other currencies. Therefore, the HK\$250.0 million net proceeds which is denominated in Hong Kong dollars provides financial flexibility to the Group to undertake suitable potential investments in Hong Kong when opportunities arise.

Furthermore, the Company will utilise approximately HK\$400.0 million of the net proceeds to finance the potential acquisition (the “**Proposed Acquisition**”) of a target company engaged in the provision of investment advisory and corporate management services in the PRC (the “**Target Company**”) and to further develop the Target Company’s business in the financial services industry. As disclosed in the announcement of the Company dated 12 March 2019, a wholly-owned subsidiary of the Company entered into a non-legally binding letter of intent to acquire certain equity stake in the Target Company which currently holds a portfolio of debt assets acquired by it at a cost of RMB166.1 million. Subject to due diligence and successful negotiation of transaction terms, the Company targets to enter into a sale and purchase agreement with the vendor in the third quarter of 2019. As advised by the Management and as disclosed in the 2018 Annual Report, the Management intends to further expand the Group’s business into the financial services sector. Leveraging on the Management’s extensive experiences in financial services industry, the Proposed Acquisition will further diversify the Group’s businesses and potentially improve the Group’s overall financial performance in the long term.

The Company had considered various alternative financing methods, including but not limited to bank borrowings and various forms of equity financing such as rights issue, open offer and placing of Shares. The Group recorded a net loss of approximately HK\$166.2 million, net profit of approximately HK\$321.2 million and net loss of approximately HK\$151.1 million for the years ended 31 December 2018, 2017 and 2016, respectively. The Management informed that the undrawn facilities amount was frozen by a bank with immediate effect in early March 2019 after the Group published a profit warning announcement on 8 March 2019 regarding the final results of FY2018. The bank has also commenced its internal review and the process has not been completed. The Management has also approached two other banks to explore debt financing option but was requested to pledge investment properties or leasehold properties of the Group to secure the bank borrowing. However, almost all of the investment properties and leasehold properties of the Group have already been pledged for existing borrowings. Given the Group's financial performance has been relatively volatile in the past three financial years, the Management considered that additional debt financing from financial institutions may be subject to more stringent due diligence and negotiations and on financing terms that may not be favourable to the Group.

Various forms of pure equity financing, such as placing, rights issue and open offer, would allow the Group to raise funds without incurring interest costs. Although rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the transaction takes a relatively longer time to complete as it involves additional works such as identifying underwriter(s) with favourable terms and administrative work for preparation and issue of related documents. Furthermore, uncertainty over the trade war between the United States and the PRC has led to sceptical investor behaviour and poor equity market sentiment, leading to potential difficulty for the Company to raise sufficient funds through pure equity financing. The Management therefore is of the view that the prevailing market condition is not favourable for the Company to conduct pure equity financing but more inclined to the issuance of an instrument that is quasi-equity and quasi-debt.

Having taking into consideration the above analysis, we concur with the Management's view that a combination of the Placing and the Subscription is an appropriate fundraising method currently available to the Group and is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Subscription of Convertible Bonds**(i) Date**

20 May 2019 (after trading hours)

(ii) Parties

Issuer: the Company

Subscribers: the Connected Subscribers

(iii) The Subscription

Pursuant to the Connected Subscription Agreements, the Company has conditionally agreed to issue, and the relevant Connected Subscriber conditionally agreed to subscribe for the Convertible Bonds at the Conversion Price of HK\$2.33.

The aggregate principal amounts of the Convertible Bonds to be subscribed by the Connected Subscribers is HK\$950.0 million, with the breakdown as follows:

Subscriber	Principal amount (HK\$)
Regent Star	450,000,000
Mr. Gao	200,000,000
Wonderfulsky	100,000,000
Ms. Luk	100,000,000
Excel Bright	100,000,000

The Subscription by the Connected Subscribers is not inter-conditional with each other.

(iv) Conditions precedent

Completion of the Subscription is conditional upon the fulfilment or waiver (if applicable) of following conditions:

- (a) the relevant Connected Subscriber having conducted due diligence exercise (technical, financial and legal) on the Group and satisfied with the results thereof;

- (b) the relevant Connected Subscriber having obtained all necessary approvals for completion of its subscription of the Convertible Bonds (in accordance with its internal decision-making procedures if such Connected Subscriber is a corporate person);
- (c) the relevant Connected Subscriber having completed all relevant third-party entities' (including but not limited to any government or regulatory department) required approval(s) and/or filing procedures for completion of its subscription of the Convertible Bonds in accordance with applicable laws;
- (d) the representations and warranties under the Transaction Documents being true, correct and complete when made and remaining true, correct and complete and not misleading as at the completion date;
- (e) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the relevant Connected Subscriber objects) the approval for the listing of, and permission to deal in, the Conversion Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds which remains in full and effect;
- (f) the passing by the Shareholders or the Independent Shareholders (as the case maybe) at the general meeting to be convened by the Company of the necessary resolution(s) to approve the allotment and issuance of the Convertible Bonds and the Conversion Shares under the Subscription Specific Mandate, the relevant Connected Subscription Agreement and the transactions contemplated thereunder, and such approval not having been amended and having remained fully effective;
- (g) the compliance by the Company of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the relevant Connected Subscription Agreement and transactions contemplated thereunder; and
- (h) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the relevant Connected Subscription Agreement and/or the performance of the obligations thereunder by the Company.

Save for conditions (e) to (h) above, all other conditions may be waived by the relevant Connected Subscriber in whole or in part in writing. Each of the Company and the relevant Connected Subscriber shall use their respective best endeavours to procure the satisfaction of the conditions above on or before the long stop date of the Subscription Agreement i.e. 31 July 2019 (or such other date as the Company and the relevant Connected Subscriber may agree in writing), failing which the relevant Connected Subscription Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof. In case all of the above conditions precedent cannot be fulfilled or waived (if applicable) before the long stop date, the Company shall re-comply with the applicable Listing Rules requirements in connection with each of the Subscriptions, including the obtaining of the Independent Shareholders' approval on each of the Subscriptions, the respective Connected Subscription Agreements entered between the Company and each of the Connected Subscribers and the grant of the respective Subscription Specific Mandate.

As at the Latest Practicable Date, save for conditions (e) and (f), the conditions precedent to all the Connected Subscription Agreements have been fulfilled.

(v) ***Guarantee***

Pursuant to the respective Connected Subscription Agreements, Mr. Chu shall provide the Guarantee to the respective Connected Subscribers on or around the date of the relevant Connected Subscription Agreements.

(vi) ***Completion of the Subscription***

Completion of the Subscription shall take place on the third (3rd) business day after all conditions precedent under the respective Connected Subscription Agreements are fulfilled or waived (if applicable), or such other date as the Company and the respective Connected Subscriber may agree in writing.

6. Guarantee

Pursuant to the Guarantee provided by Mr. Chu as guarantor in favour of the relevant subscribers under the Subscription Agreements entered with JIC and the Connected Subscribers, Mr. Chu shall unconditionally and irrevocably guarantee, as principal debtor and not merely as surety, guarantee the due and punctual payment of all or any sums (whether principal, interest, fees or otherwise) which are or at any time may become due and payable by the Company to the subscriber under the

Transaction Documents; and (ii) the due and punctual performance and observance by the Company of its obligations under the Transaction Documents (the “**Guaranteed Obligations**”). In the event the Company defaults for any reason whatsoever in the performance of any of the Guaranteed Obligations, Mr. Chu shall forthwith upon receipt of the written demand from the relevant subscriber, perform and satisfy (or procure the performance and satisfaction of) the obligation or liability in regard to which such default has been made in the manner prescribed by the Transaction Documents.

As at the Latest Practicable Date, Mr. Chu is the chairman, a non-executive Director and a substantial shareholder of the Company. Accordingly, he is a connected person of the Company and the Guarantees to be provided by him constitutes connected transactions of the Company. Nonetheless, since the Guarantees will be provided by Mr. Chu on normal commercial terms or better to the Group, and do not required to be secured by the assets of the Group, such financial assistance to be provided by Mr. Chu is fully exempt from the announcement, shareholders’ approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.

7. **Principal terms of the Convertible Bonds**

Issuer	:	the Company
Principal amount	:	Up to HK\$1,150,000,000 in aggregate (among which a principal amount up to HK\$200,000,000 will be placed to JIC through the Placing; and Regent Star, Mr. Gao, Wonderfolsky, Ms. Luk and Excel Bright will subscribe for the principal amounts of HK\$450,000,000, HK\$200,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000, respectively.)
Issue price	:	100% of the principal amount of the Convertible Bonds
Denomination	:	HK\$10,000,000
Maturity date	:	36th month from the issue date of the Convertible Bonds

Interest : 7% per annum payable semi-annually from the issue date of the Convertible Bonds. Assuming there is no early redemption of the Convertible Bonds and all of the Convertible Bonds are redeemed only on the Maturity Date, the effect interest rate of the Convertible Bonds is approximately 12.00% per annum.

Conversion Price : HK\$2.33 per Conversion Share, subject to adjustment upon occurrence of events which include consolidation, sub-division and reclassification of the Shares; capitalisation of profits; capital distributions; rights issues of Shares, options over Shares or other securities of the Company; issue of Shares or other securities of the Company in discount; modification of rights of conversion and other offer of securities. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued at a discount to their par value.

Conversion Shares : The Conversion Shares will be credited as fully paid and rank pari passu in all respects with, and within the same class as the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Upon completion of the Placing and the Subscription and assuming the aggregate principal amount of up to HK\$1,150,000,000 of the Convertible Bonds is issued by the Company and there is full conversion of the Convertible Bonds at the Conversion Price of HK\$2.33 per Share, an aggregate of 493,562,227 Conversion Shares shall be allotted and issued, (among which 85,836,909 Conversion Shares will be issued under the Placing and 407,725,318 Conversion Shares will be issued under the Subscriptions), representing approximately 21.4% of the total number of Shares in issue as at the Latest Practicable Date and approximately 17.6% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company)

- Conversion period** : From the issue date of the Convertible Bonds up to the close of business on a date which is five (5) trading days prior to the maturity date
- Conversion restrictions** : A bondholder can only exercise its conversion rights on the conditions that: (i) no obligation will arise on the bondholder to make a general offer to the Shareholders for all securities of the Company under Rule 26 of the Takeovers Code upon exercising of Conversion Rights hereunder; and (ii) no Listing Rules, including the minimum public float requirements of the Company under Listing Rules, will be breached as a result of an exercise of Conversion Rights hereunder
- Redemption on maturity** : Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the maturity date at such amount equivalent to 116.5% of the principal amount of the outstanding Convertible Bonds (inclusive of interests received up to the maturity date)
- Early Redemption** : *By the Company:*
- The Company may at any time during the Conversion Period, having given not less than thirty (30) days' irrevocable notice to the bondholders, redeem all or part of the Convertible Bonds in integral multiple of HK\$10,000,000 at the early redemption amount.
- The early redemption amount shall be the principal amount of the Convertible Bonds (including the outstanding and unpaid interest and other amounts (if any) calculated up to the early redemption date) (the "**Applicable Redemption Amount**") plus an amount that would make up an aggregate internal rate of return on the relevant amount of the Convertible Bonds at 12% per annum thereon (having included the interest paid) calculated from the Issue Date to (and including) the early redemption date.

Upon occurrence of event(s) of default:

A bondholder may require the Company to redeem all or part of the Convertible Bonds in integral multiple of HK\$10,000,000 at the early redemption amount any time after the occurrence of an event of default. The early redemption amount shall be the principal amount of the Applicable Redemption Amount plus an amount that would make up an aggregate internal rate of return on the relevant portion of the principal amount of Bonds at fifteen per cent (15%) per annum (having included the interest paid, but excluding all default interest (whether accrued, paid or unpaid)) calculated during the period from the Issue Date to (and including) the actual date of payment.

Transferability : Subject to compliance with applicable laws, rules and regulations (including but not limited to the Listing Rules and the Takeovers Code), the Convertible Bonds are transferrable in integral multiple of HK\$10,000,000 except to direct competitors of the Company.

Status and listing : The Convertible Bonds constitute direct, 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 *pari passu* with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company.

No application is intended to be made for the listing of the Convertible Bonds on any stock exchange

8. Evaluation of the terms of the Convertible Bonds

8.1 *Historical share price performance*

The Conversion Price represents:

- (i) a premium of approximately 46.5% over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 38.7% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on 20 May 2019 (the “**Last Trading Day**”), being the date of the Connected Subscription Agreements;
- (iii) a premium of approximately 40.4% over the average closing price of HK\$1.66 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the Last Trading Day; and
- (iv) a discount of approximately 29.4% to the net asset value of approximately HK\$3.30 per Share based on the audited net asset value of the Group as at 31 December 2018 and the total number of issued Shares as at the Last Trading Day.

The Conversion Price was determined after arm’s length negotiation between the Company, the Connected Subscribers and the Placing Agent, respectively, with reference to the prevailing market price of the Shares as quoted on the Stock Exchange.

We have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the 12-month period from 21 May 2018 up to and including the Last Trading Day (the “**Review Period**”). The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Historical daily closing prices of the Shares during the Review Period



As illustrated in the chart above, the Share price closed at a minimum of HK\$1.16 on 16 August 2018 and a maximum of HK\$2.30 on 14 June 2018 during the Review Period. The Conversion Price of HK\$2.33 per Share represents a slight premium of approximately 1.3% to the highest closing price at HK\$2.30 during the Review Period.

It was noted that the Conversion Price represented a discount of approximately 29.4% to the net asset value per Share of approximately HK\$3.30 based on the audited net asset value of the Group as at 31 December 2018 and the total number of issued Shares as at the Last Trading Day. It was also noted that the net asset value attributable to the equity holders of the Company (the “NAV”) per Share of approximately HK\$2.93 is higher than the maximum closing price of the Share during the Review Period. As such, the Management considered that determining the conversion price of the Convertible Bonds with reference to the NAV per Share would not be attractive to the investors as the Conversion Price is higher than maximum closing price of the Share during the Review Period.

8.2 *Comparable issues*

To assess the fairness and reasonableness of the key terms of the Convertible Bonds, including: (i) interest rate; (ii) term to maturity; (iii) conversion price; and (iv) internal rate of return (“**IRR**”), we have, on a best effort basis, conducted a search of recent issues/placings of convertible bonds (excluding convertible into A shares) under specific mandate to both connected persons and independent third parties by the companies listed on the Stock Exchange announced from 21 May 2018 up to and including the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 22 comparable issues (the “**Comparable Issues**”) during the Comparison Period. We consider that the Comparison Period is appropriate to provide a general reference for the recent market practice in relation to the key terms of the Convertible Bonds under similar market condition. Nevertheless, Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the Comparable Issues may not be the same as those of the Company, and we have not conducted any in-depth investigation into their businesses and operations. As the Comparable Issues can provide a general understanding of the key terms for this type of transaction in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Convertible Bonds.

Table 3: Analysis of the Comparable Issues

Date of announcement	Company name	Stock code	Interest rate (%)	Term to maturity (years)	Premium/(discount) of conversion price over/to the average closing price of the last 5 trading days prior to the last trading day prior to/on the date of announcement	IRR ^(Note) (%)
4/26/2019	Victory City International Holdings Limited	539	5.0%	2	10.4%	5.0%
4/22/2019	Jiyi Household International Holdings Limited	1495	6.0%	1.5	1.0%	6.0%
2/4/2019	Sinco Pharmaceuticals Holdings Limited	6833	6.0%	1.5	22.0%	6.0%
30/1/2019	Pan Asia Environmental Protection Group Limited	556	0.0%	2	100.0%	0.0%
11/1/2019	TUS International Limited	872	0.0%	6	(14.3%)	0.0%
31/12/2018	China Ruifeng Renewable Energy Holdings Limited	527	8.0%	2	(13.0%)	15.0%
21/12/2018	Hospital Corporation of China Limited	3869	6.0%	5	13.1%	5.4%
18/12/2018	Shougang Concord Century Holding Limited	103	4.0%	3	83.3%	4.0%
21/11/2018	Carnival Group International Holdings Limited	996	8.0%	2	57.5%	8.0%
16/11/2018	Grand Field Group Holdings Limited	115	3.0%	2	5.1%	3.0%
12/11/2018	Moody Technology Holdings Limited	1400	8.0%	2	(20.0%)	8.0%
26/10/2018	Huajun International Group Limited	377	1.5%	5	100.0%	1.5%
12/10/2018	Yanchang Petroleum International Limited	346	6.0%	2	5.7%	6.0%
21/9/2018	China Sandi Holdings Limited	910	1.0%	5	(9.5%)	1.0%
21/9/2018	Huajun International Group Limited	377	1.5%	5	72.7%	1.5%
7/9/2018	C&D International Investment Group Limited	1908	4.3%	N/A	29.0%	4.3%
2/9/2018	Lamtex Holdings Limited	1041	4.0%	3	1.9%	4.0%
31/7/2018	Xiezhong International Holdings Limited	3663	8.0%	3	(2.0%)	12.0%
19/7/2018	Ko Yo Chemical (Group) Limited	827	4.0%	5	(21.2%)	4.0%
18/7/2018	China Finance Investment Holdings Limited	875	5.0%	1	3.4%	5.0%

Date of announcement	Company name	Stock code	Interest rate (%)	Term to maturity (years)	Premium/(discount) of conversion price over/to the average closing price of the last 5 trading days prior to the last trading day prior to/on the date of announcement	IRR ^(Note) (%)
27/6/2018	Pa Shun International Holdings Limited	574	0.0%	2	4.2%	0.0%
14/6/2018	Energy International Investments Holdings Limited	353	3.0%	2	0.0%	3.0%
	Maximum		8.0%	6	100.0%	15.0%
	Minimum		0.0%	1	(21.2%)	0.0%
	Average		4.2%	3	19.5%	4.7%
	Convertible Bonds		7.0%	3	38.7%	12.0%

Source: the Stock Exchange

Note: The IRRs are calculated based on the corresponding issue prices, interest rates, term to maturity and redemption amounts at maturity.

We note that some of the Comparable Issues have higher IRRs which may skew the maximum and average IRR of the Comparable Issues. However, we are of the view that the Comparable Issues reflect the issues/placings of convertible bonds in the prevailing market condition and the terms negotiated between the companies in the Comparable Issues and the respective investors, which is reasonable to provide a comprehensive comparison to the analysis of the key terms of the Convertible Bonds to better understand the recent market practice for such issues/placings of convertible bonds.

As all the Comparable Issues meet our aforesaid selection criteria, we consider that the exclusion of some of the Comparable Issues would involve subjective judgement. Therefore, we consider that the list with the inclusion of all Comparable Issues is exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Convertible Bonds.

(A) *Interest rate*

Interest rates of the Comparable Issues ranged from nil to 8.0% per annum with an average interest rate of approximately 4.2%. Although the interest rate of the Convertible Bonds at 7.0% per annum is higher than the average interest rate, it falls within the range of the Comparable Issues.

(B) *Term to maturity*

Term to maturity of the Comparable Issues ranged from 1 year to 6 years with an average of approximately 3 years. We note that the maturity of the Convertible Bonds of 3 years falls within the range and is in line with the average maturity period of the Comparable Issues.

(C) *Conversion Price*

As set out in the table above, we note that the premium/discount of conversion price to the closing price of the shares as at the last trading day of the Comparable Issues ranged from a discount of approximately 21.2% to a premium of approximately 100.0% with an average premium of approximately 19.5%. The premium/discount of conversion price to the average closing price of the last 5 trading days prior to the last trading day of the Comparable Issues ranged from a discount of approximately 18.2% to a premium of approximately 90.5% with an average premium of approximately 17.3%. We noted that the Conversion Price is at a premium of approximately 38.7% to the closing price of the Shares as at the Last Trading Day and a premium of approximately 40.4% to the average closing price of the Shares of the last 5 trading days prior to the Last Trading Day, which are both above the corresponding average premiums of the Comparable Issues and fall within the range of the Comparable Issues.

(D) *IRR*

For comparison purpose, we have considered the total returns of all the Comparable Issues and noted that the IRR ranged from approximately nil to approximately 15.0% with an average IRR of approximately 4.7%. Although the IRR of the Convertible Bonds of 12.0% is higher than the average IRR of the Comparable Issues, it is nevertheless within the range of the Comparable Issues.

Having considered the above analysis, and in view of that JIC is subject to the principal terms under the Placing which are substantially the same as those for the Connected Subscribers, the terms offered to Connected Subscribers are no less favourable to the Company. Accordingly, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

9. Financial effects of the Subscription

Effects on gearing and net asset value

When the Convertible Bonds are recorded into the financial statements of the Group, it will consist of an equity portion (increasing the net asset value of the Group) and a liability portion (increasing the total liabilities of the Group) which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards. As such, it is unable to deduce the ultimate effect on the Group's net asset value as at the Latest Practicable Date. However, it is expected that when the Convertible Bonds are converted into the Conversion Shares, it will reduce the liabilities and enlarge the capital base of the Group.

Effects on earnings

As the Convertible Bonds carry an interest of 7.0% per annum, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expenses on the Convertible Bonds before maturity or otherwise the conversion of the Convertible Bonds. On the other hand, as part of the proceeds from the Convertible Bonds will be used to repay the Group's borrowings due within one year, it will reduce the interest expenses and increase the future earnings of the Group. Further, assuming the conversion option derivative measured at fair value with changes in fair value was recognised in consolidated statement of profit or loss, there would be an impact on the Group's earnings due to the fair value measurement at each of the financial year end upon the maturity of the Convertible Bonds. As a result, the Directors expects that there will not be any material adverse changes to the earnings of the Group based on the reasons mentioned above.

10. Effects on the shareholding structure of the Group

The following table sets out the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) upon full conversion of the Convertible Bonds under the Placing; (iii) upon full conversion of the Convertible Bonds under the Subscriptions; and (iv) upon full conversion of the Convertible Bonds under the Placing and the Subscriptions (assuming no other change in the issued share capital of the Company in circumstances (ii), (iii) and (iv)):

Table 4: Shareholding structure of the Company

Shareholders	As at the		Upon full conversion of the		Upon full conversion of the		Upon full conversion of the	
	Latest Practicable Date		Convertible Bonds under the		Convertible Bonds under the		Convertible Bonds under the	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Zhuguang Holdings ⁽¹⁾	681,240,022	29.56	681,240,022	28.50	681,240,022	25.11	681,240,022	24.34
Regent Star	438,056,000	19.01	438,056,000	18.32	631,189,047	23.27	631,189,047	22.56
Mr. Gao	—	—	—	—	85,836,909	3.17	85,836,909	3.07
Wonderfulsky	—	—	—	—	42,918,454	1.58	42,918,454	1.53
Ms. Luk	—	—	—	—	42,918,454	1.58	42,918,454	1.53
Excel Bright	—	—	—	—	42,918,454	1.58	42,918,454	1.53
JIC	—	—	85,836,909	3.59	—	—	85,836,909	3.07
Other public shareholders	1,185,553,589	51.43	1,185,553,589	49.59	1,185,553,589	43.71	1,185,553,589	42.37
Total	2,304,849,611	100.00	2,390,686,520	100.00	2,712,574,929	100.00	2,798,411,838	100.00

Notes:

- Zhuguang Holdings Group Company Limited (“**Zhuguang Holdings**”) owns 681,240,022 Shares through its wholly-owned subsidiary, Splendid Reach Limited. Zhuguang Holdings is owned as to 61.92% by Rong De Investments Limited. Mr. Liao Tengjia and Mr. Chu (being the chairman of the Company) hold 36% and 34.06% equity interest in Rong De Investments Limited, respectively.

As shown in the above table, the existing public Shareholders' shareholdings will be moderately diluted from approximately 51.43% as at the Latest Practicable Date to approximately 42.37% immediately upon the full conversion of the Convertible Bonds under the Placing and the Subscriptions. In view of the fact that: (i) the Subscriptions and the Placing will optimise the Group's debt structure, lower liquidity risk and improve the Group's overall financial position; (ii) part of the proceeds from the Subscriptions and the Placing will be used to finance the Proposed Acquisition which will further diversify the Group's businesses and potentially improve the Group's overall financial performance in the long term; (iii) the Subscription is an appropriate financing method currently available to the Group due to the reasons as set forth under the subsection headed "4. Reasons for and benefits of the Placing and the Subscription and intended use of proceeds"; (iv) the terms of the Connected Subscription Agreements and the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned; (v) the Subscriptions would not lead to immediate dilution to the shareholding interests of the existing public Shareholders (unless the bondholder(s) exercise(s) the conversion rights immediately upon issuance of the Convertible Bonds); and (vi) the principal terms of the Subscription Agreement entered by JIC are substantially the same as those of the Connected Subscribers, we are of the view that the aforesaid level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATION

In view of the above and having considered in particular that:

- (a) the issue of the Convertible Bonds would optimise the Group's debt structure, lower liquidity risk and improve the Group's overall financial position;
- (b) the Placing and the Subscription is an appropriate financing method currently available to the Group;
- (c) the interest rate, term to maturity, conversion price and IRR of the Convertible Bonds fall within the range of the Comparable Issues;
- (d) the potential dilution effect of the Placing and the Subscription is acceptable; and
- (e) the principal terms of the Convertible Bonds are substantially the same to both JIC and the Connected Subscribers,

we are of the view that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Connected Subscription Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions approving the Connected Subscription Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

Opus Capital Limited

Koh Kwai Yim

Executive Director

Zhang Wenwen

Director

Ms. Koh Kwai Yim is the Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 17 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Ms. Zhang Wenwen is the Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Zhang has participated in and completed various financial advisory and independent financial advisory transactions.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares interested (Note 1)	Approximate percentage of issued share capital of the Company
Chu Hing Tsung	Interest of controlled corporation (Note 2)	681,240,022 (L)	29.56%
Huang Jiajue	Beneficial owner	1,600,000 (L)	0.07%

Notes:

1. “L” denotes long position.
2. Mr. Chu Hing Tsung directly holds 34.06% of the issued shares of Rong De Investments Limited, which in turn holds 63.09% of the issued shares of Zhuguang Holdings Group Company Limited, which in turn holds 100% issued shares of Splendid Reach Limited, the beneficial owner of such 681,240,022 Shares. Accordingly, Mr. Chu is taken to be interested in such 681,240,022 Shares pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or in the shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, (i) Mr. Chu Hing Tsung was the chairman and an executive director of Zhuguang Holdings, a substantial shareholder of the Company and is a 34.06% shareholder of Rong De Investments Limited, the controlling shareholder of Zhuguang Holdings; (ii) Mr. Huang Jiajue was a deputy chairman, an executive director and a shareholder of Zhuguang Holdings; (iii) Mr. Chen Zhiwei was the assistant general manager and managing director of the investment department of China Cinda (Hong Kong) Holding Limited, a wholly owned subsidiary of China Cinda Asset Management Co., Ltd., a substantial shareholder of the Company; and (iv) Mr. Ma Yilin was the managing director of China Cinda (Hong Kong) Holding Company Limited, a wholly owned subsidiary of China Cinda Asset Management Co., Ltd., a substantial shareholder of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial shareholders' interests and short positions in Shares, underlying Shares and debenture

So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had, or were deemed to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of substantial Shareholder	Capacity	Number of Shares interested (Note 1)	Approximate percentage of issued share capital of the Company
China Cinda Asset Management Co., Ltd.	Interest of controlled corporation (Note 2)	1,119,296,022 (L)	48.56%
China Cinda (HK) Holdings Company Limited	Interest of controlled corporation (Note 2)	1,119,296,022 (L)	48.56%
China Cinda (HK) Asset Management Co., Limited	Person having a security interest in shares (Note 2)	681,240,022 (L)	29.56%
Regent Star International Limited	Beneficial owner	438,056,000 (L)	19.01%
Liao Tengjia	Interest of controlled corporation (Note 3)	681,240,022 (L)	29.56%
Rong De Investments Limited	Interest of controlled corporation (Note 3)	681,240,022 (L)	29.56%
Zhuguang Holdings Group Company Limited	Interest of controlled corporation (Note 3)	681,240,022 (L)	29.56%
Splendid Reach Limited	Beneficial owner	681,240,022 (L)	29.56%

Notes:

1. “L” denotes long position.
2. China Cinda Asset Management Co., Ltd directly holds 100% of the issued shares of China Cinda (HK) Holdings Company Limited, which in turn holds 100% of the issued shares of China Cinda (HK) Asset Management Co., Limited and Regent Star International Limited. Therefore, China Cinda Asset Management Co., Ltd and China Cinda (HK) Holdings Company Limited are taken to be interested in the number of Shares held by China Cinda (HK) Asset Management Co., Limited and Regent Star International Limited pursuant to Part XV of the SFO.
3. Mr. Chu Hing Tsung and Mr. Liao Tengjia directly hold 34.06% and 36% of the issued shares of Rong De Investments Limited respectively, which in turn holds 67.08% of the issued shares of Zhuguang Holdings Group Company Limited, which in turn holds 100% issued shares of Splendid Reach Limited. Therefore, Chu Hing Tsung, Liao Tengjia, Rong De Investments Limited and Zhuguang Holdings are taken to be interested in the number of Shares held by Splendid Reach Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was aware of any other person or corporation who had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/ which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

3. DIRECTORS’ SERVICE CONTRACTS

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

4. DIRECTORS’ INTERESTS IN CONTRACT(S) OR ARRANGEMENT(S)

As at the Latest Practicable Date, 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. DIRECTORS' 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 2018, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

7. 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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT AND CONSENT

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

Name	Qualification
Opus Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

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

- (b) As at the Latest Practicable Date, Opus Capital Limited did not have any direct or indirect interests in any assets which had been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to, any member of the Group.
- (c) The letter of advice from Opus Capital Limited is given as of the date of this circular for incorporation herein. Opus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which it is included.

9. CORPORATE INFORMATION

- (a) The company secretary of the Company is Mr. Chow Kwok Wai, who is a Fellow Member of the Association of Chartered Certified Accountants and a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. Mr. Chow is also a Certified Tax Adviser and a Fellow Member of the Taxation Institute of Hong Kong.
- (b) The registered office of the Company is at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) The share registrar and transfer office of the Company is Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to the date which is 14 days after the date of this circular:

- (a) the articles of association of the Company;
- (b) the Placing Agreement;
- (c) the Subscription Agreement entered into between the Company and JIC;

- (d) the Subscription Agreements entered into between the Company and each of the Connected Subscribers;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in Appendix I to this circular;
- (f) the letter from Opus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in Appendix II to this circular;
- (g) the written consent of Opus Capital Limited as referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (h) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED

銀建國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Silver Grant International Holdings Group Limited (the “Company”) will be held at Boardroom 8, lower lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 June 2019 at 2:30 p.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 10 June 2019.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Placing Agreement entered into between the Company and the Placing Agent in relation to the placing of the Convertible Bonds in the principal amount of up to HK\$200,000,000, a copy of the Placing Agreement having been produced to the Meeting marked “A” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Subscription Agreement entered into between the Company and JIC in relation to the subscription for the Convertible Bonds in the principal amount of HK\$200,000,000, a copy of the Subscription Agreement entered with JIC having been produced to the Meeting marked “B” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the issue by the Company of the Convertible Bonds in the principal amount of HK\$200,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with JIC together with the issuance of the bond instrument and the bond certificate to JIC be and are hereby approved;
- (d) the Directors be and are hereby granted the Placing Specific Mandate to allot and issue up to 85,836,909 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and
- (e) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with JIC, the issue of the Convertible Bonds to JIC, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the Subscription Agreement entered into between the Company and Regent Star in relation to the subscription for the Convertible Bonds in the principal amount of HK\$450,000,000, a copy of the Subscription Agreement entered with Regent Star having been produced to the Meeting marked “C” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$450,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with Regent Star together with the issuance of the bond instrument and the bond certificate to Regent Star be and are hereby approved;
- (c) the Directors be and are hereby granted the Subscription Specific Mandate to allot and issue up to 193,133,047 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with Regent Star, the issue of the Convertible Bonds to Regent Star, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

3. **“THAT:**

(a) the Subscription Agreement entered into between the Company and Mr. Gao in relation to the subscription for the Convertible Bonds in the principal amount of HK\$200,000,000, a copy of the Subscription Agreement entered with Mr. Gao having been produced to the Meeting marked “D” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$200,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with Mr. Gao together with the issuance of the bond instrument and the bond certificate to Mr. Gao be and are hereby approved;

(c) the Directors be and are hereby granted the Subscription Specific Mandate to allot and issue up to 85,836,909 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and

(d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with Mr. Gao, the issue of the Convertible Bonds to Mr. Gao, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. **“THAT:**

- (a) the Subscription Agreement entered into between the Company and Wonderfulsky in relation to the subscription for the Convertible Bonds in the principal amount of HK\$100,000,000, a copy of the Subscription Agreement entered with Wonderfulsky having been produced to the Meeting marked “E” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$100,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with Wonderfulsky together with the issuance of the bond instrument and the bond certificate to Wonderfulsky be and are hereby approved;
- (c) the Directors be and are hereby granted the Subscription Specific Mandate to allot and issue up to 42,918,454 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and
- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with Wonderfulsky, the issue of the Convertible Bonds to Wonderfulsky, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

5. **“THAT:**

- (a) the Subscription Agreement entered into between the Company and Ms. Luk in relation to the subscription for the Convertible Bonds in the principal amount of HK\$100,000,000, a copy of the Subscription Agreement entered with Ms. Luk having been produced to the Meeting marked “F” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$100,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with Ms. Luk together with the issuance of the bond instrument and the bond certificate to Ms. Luk be and are hereby approved;
- (c) the Directors be and are hereby granted the Subscription Specific Mandate to allot and issue up to 42,918,454 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and
- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with Ms. Luk, the issue of the Convertible Bonds to Ms. Luk, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

6. **“THAT:**

- (a) the Subscription Agreement entered into between the Company and Excel Bright in relation to the subscription for the Convertible Bonds in the principal amount of HK\$100,000,000, a copy of the Subscription Agreement entered with Excel Bright having been produced to the Meeting marked “G” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$100,000,000 at an initial Conversion Price of HK\$2.33 per Share (subject to adjustments) pursuant to the Subscription Agreement entered with Excel Bright together with the issuance of the bond instrument and the bond certificate to Excel Bright be and are hereby approved;
- (c) the Directors be and are hereby granted the Subscription Specific Mandate to allot and issue up to 42,918,454 Conversion Shares upon the exercise of the Conversion Rights (subject to terms and conditions of the Convertible Bonds) attaching to the Convertible Bonds; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement entered with Excel Bright, the issue of the Convertible Bonds to Excel Bright, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

By Order of the Board
Silver Grant International Holdings Group Limited
Huang Jiajue
Executive Director

Hong Kong, 10 June 2019

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.
2. A proxy form for use at the meeting is enclosed.
3. To be valid, a proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's share registrar and transfer office, Tricor Secretaries 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 the holding of the meeting or any adjournment thereof.
4. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 24 June 2019 to Thursday, 27 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 June 2019.
5. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
6. As at the date of this notice, the board of Directors comprises Mr. Gao Jian Min (Managing Director), Mr. Huang Jiajue, Mr. Luo Zhihai and Mr. Ma Yilin as executive Directors; Mr. Chu Hing Tsung (Chairman) and Mr. Chen Zhiwei as non-executive Directors; and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.
7. References to time and dates in this notice are to Hong Kong time and dates.