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

If you have sold or transferred all your shares in **AMAX INTERNATIONAL HOLDINGS LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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AMAX INTERNATIONAL HOLDINGS LIMITED

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

CONNECTED TRANSACTIONS

(I) DEEDS OF SETTLEMENT

(II) PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

AND

(III) NOTICE OF SPECIAL GENERAL MEETING

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



GOLDIN FINANCIAL LIMITED

高銀融資有限公司

A letter from the Board is set out on pages 5 to 47 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Preemptive Right, the Deed, the Second Deed and the transactions contemplated thereunder involving issue of the Convertible Bonds and the Second Convertible Bonds under the Specific Mandate is set out on pages 48 to 49 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed issue of Preemptive Right, the Deed, the Second Deed and the transactions contemplated thereunder involving issue of the Convertible Bonds and the Second Convertible Bonds under the Specific Mandate is set out on pages 50 to 97 of this circular.

A notice convening a special general meeting (the “SGM”) of the Company to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 19 June 2018 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, 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 special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

31 May 2018

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“Company”	Amax International Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning set out in the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.249 per Conversion Share (subject to adjustments) of the Convertible Bonds
“Conversion Share(s)”	new Shares to be allotted and issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bond in the principal amount of HK\$30,000,000 to be issued by the Company to the Holders pursuant to the terms and conditions of the Deed
“Deed”	the deed of settlement executed by the Company and the Holders on 29 December 2017 in relation to the settlement of the disputes arose between the Company and the Holders on the validity and ownership of PN#27 and PN#32
“Deed Announcements”	the announcements of the Company dated 29 December 2017, 22 January 2018, 24 January 2018, 28 February 2018, 1 March 2018, 3 April 2018 and 18 May 2018 in relation to the entering into of the Deed and the Second Deed
“Directors”	the directors of the Company
“Disposal”	the conditional disposal of the Mobile Game Apps by the Group pursuant to the conditional sale and purchase agreement dated 30 April 2018
“First Completion”	the completion of the settlement under the Deed in accordance with the terms and conditions thereunder
“First Payment Date”	the seventh Business Day after the Company has obtained the approvals from its Independent Shareholders and the Stock Exchange

DEFINITIONS

“Goldin Financial” or “Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which was appointed to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Deed and the Second Deed and the respective transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Holders”	holders of the Promissory Notes, being Ms. Lee and Mr. Wu
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Preemptive Rights and the Second Deed
“Independent Shareholders”	Shareholders other than Mr. Ng Man Sun and his associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Latest Practicable Date”	23 May 2018, being the last practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mobile Game Apps”	30 offline mobile game apps’ source codes which cover the areas including but not limited to (i) leisure and entertainment; (ii) education and intellectual; (iii) sport; and (iv) adventures
“Mr. Chan”	Mr. Chan King Ming
“Mr. Huang”	Mr. Huang Jian Nan
“Mr. Ng”	Mr. Ng Man Sun, the Chairman and Chief Executive Officer of the Company
“Mr. Wu”	Mr. Wu Weide, existing holder of PN#32
“Ms. Chen”	Ms. Chen Mei Huan
“Ms. Lee”	Ms. Lee Bing, existing holder of PN#27

DEFINITIONS

“Ng PN”	the zero-coupon promissory note in the amount of HK\$104,500,000 to be issued by the Company to Mr. Ng upon First Completion and will become due upon issue of such promissory note
“PN#27”	a promissory note issued by the Company on 22 March 2006 for the amount of HK\$150,000,000 to Ms. Lee Bing
“PN#32”	a promissory note issued by the Company on 18 September 2006 for the amount of HK\$40,000,000 to Mr. Wu Weide
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Preemptive Right”	preemptive right under the Deed entitling Mr. Ng to buy the Convertible Bonds from the Holders if they intend to sell, transfer, assign or dispose of the Convertible Bonds and requested to provide personal guarantee on the Company’s payment obligations
“Promissory Notes”	PN#27 issued to Ms. Lee and PN#32 issued to Mr. Wu
“Second Completion”	the completion of the settlement under the Second Deed in accordance with the terms and conditions thereunder
“Second Conversion Price”	the initial conversion price of HK\$0.30 per Second Conversion Share (subject to adjustments) of the Second Convertible Bonds
“Second Conversion Shares”	new Shares to be allotted and issued upon conversion of the Second Convertible Bonds
“Second Convertible Bonds”	the convertible bond in the principal amount of HK\$104,500,000 to be issued by the Company to Mr. Ng pursuant to the terms and conditions of the Second Deed
“Second Deed”	the deed of settlement entered into between the Company and Mr. Ng on 1 March 2018 in relation to the settlement of the Ng PN
“Second Payment Date”	the last Business Day of the period of nine calendar months after the First Payment Date
“Settlement PN”	the zero-coupon promissory note in the amount of HK\$20,000,000 to be issued by the Company in favour of the Holders on the First Payment Date and with a maturity date falling on the Second Payment Date and the zero-coupon promissory note in the amount of HK\$30,000,000 to be issued by the Company in favour of the Holders on the First Payment Date and with a maturity date falling on the Third Payment Date

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“SGM”	a special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, <i>inter alia</i> , (i) the Deed and the transactions contemplated thereunder (including the issue of the Convertible Bonds under the Specific Mandate); and (ii) the Second Deed and the transactions contemplated thereunder (including the issue of the Second Convertible Bonds under the Specific Mandate)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the SGM to allot and issue, among others, (i) the Conversion Shares; and (ii) the Second Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs
“Third Payment Date”	the last Business Day of the period of nine calendar months after the Second Payment Date
“Writ Announcements”	announcements of the Company dated 21 March 2016 and 15 September 2016 in relation to the issuance of writs of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee and Mr. Wu in connection with PN#27 and PN#32
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

LETTER FROM THE BOARD



AMAX INTERNATIONAL HOLDINGS LIMITED

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

Board of Directors

Executive Directors:

Mr. Ng Man Sun

(Chairman and Chief Executive Officer)

Ms. Ng Wai Yee

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Ms. Yeung Pui Han, Regina

Mr. Li Chi Fai

Ms. Sie Nien Che, Celia

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

Units 5106–07,

51/F, The Center,

99 Queen's Road Central,

Central, Hong Kong

31 May 2018

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

(I) DEEDS OF SETTLEMENT

**(II) PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE**

AND

(III) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the Writ Announcements and the Deed Announcements in respect of the Deed and the Second Deed.

The purpose of this circular is to provide you with further information relating to (i) background of the Deed and the Second Deed; (ii) the Deed and the transactions contemplated thereunder; (iii) the Second Deed and the transactions contemplated thereunder; and (iv) the notice of the SGM to be convened and held for purposes of considering, and if thought fit, approving (a) the Deed and the transactions contemplated thereunder including issue of the Convertible Bonds under the Specific Mandate; and (b) the Second Deed and the transactions contemplated thereunder including issue of the Second Convertible Bonds under the Specific Mandate.

LETTER FROM THE BOARD

BACKGROUND OF THE DEED AND THE SECOND DEED

On 22 March 2006, the Company issued a tranche of 10-year zero-interest promissory notes with total face value of approximately HK\$1,454 million as part of the consideration for acquiring a further 30% equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited (the “**Acquisition**”) from Mr. Ng. The sale and purchase was completed on 28 March 2006 and the Company issued and delivered promissory notes PN#1–26 all dated 22 March 2006 totaling approximately HK\$1,304 million to Mr. Ng.

At the direction of Ms. Chen, at all material times an assistant of Mr. Ng, whom the Company mistakenly believed was authorized by Mr. Ng to give such direction, the Company issued PN#27 also dated 22 March 2006 for the remaining HK\$150 million to Ms. Lee.

At the direction of Ms. Chen, or other personnel instructed by Ms. Chen, whom the Company mistakenly believed was authorized by Mr. Ng to give such direction that Mr. Ng had assigned promissory notes (“**PN#1–3**”) in an aggregate principal amount of HK\$150 million in favour of Mr. Huang, the Company cancelled PN#1–3 and re-issued promissory notes (“**PN#28–30**”) for the aggregate sum of HK\$150 million all dated 1 April 2006 to Mr. Huang.

On or about 18 September 2006, PN#28–30 for the sum of HK\$150 million was cancelled by the Company and reissued as to (i) PN#31 for the sum of HK\$110 million to Mr. Francisco Xavier Albino ; and (ii) PN#32 for the sum of HK\$40 million to Mr. Wu, respectively under the direction of Ms. Chen that Mr. Huang has assigned PN#28–30 to the above mentioned persons respectively.

As at the Latest Practicable Date, (i) PN#1–3 (subsequently cancelled and replaced by PN#28–30) were cancelled and replaced by PN#31 and PN#32 respectively; and (ii) PN#4–26 in the aggregate amount of HK\$1,154,722,107 and PN#31 in the amount of HK\$110,000,000 were settled, leaving PN#27 and PN#32 in the aggregate amount of HK\$190,000,000 remain due, unsettled and in dispute.

The Promissory Notes were unsecured, non-interest bearing and repayable in 10 years from the date of issue. To the best knowledge, information and belief of the Company, both Ms. Lee and Mr. Wu have no prior or existing relationship with the Company or its connected persons.

On 12 September 2012, by a special general meeting of the Company duly convened at the request of Mr. Ng, the shareholder of the Company at the time of the Acquisition, all the then existing directors were removed from the board and Mr. Ng and his nominees were appointed to be the Board of Directors of the Company. Further, Mr. Ng was then appointed Chairman and Chief Executive Officer of the Company. Prior to this, Mr. Ng has no involvement in any of the Company’s operations.

LETTER FROM THE BOARD

On or about 20 November 2012, the Company received a letter from Messrs. Yam & Company (now known as Messrs. Zhong Lun Law Firm), solicitors representing Mr. Wu, requesting, *inter alia*, the Company to deliver to Mr. Wu the audit confirmation in respect of PN#32. It was only until then that came to the attention of Mr. Ng and the Company that PN#27 was issued to Ms. Lee and PN#32 was issued to Mr. Wu by mistakes.

Upon subsequent enquires, it has transpired that: i) Mr. Ng has not authorized the Company to issue PN#27 and PN#32; and ii) Mr. Ng has not received any consideration for the purported transfer of PN#27 to Ms. Lee, PN#28–30 to Mr. Huang and PN#32 to Mr. Wu.

Since Mr. Ng has become aware of the issue of PN#27 and PN#32, he, as the beneficial owner, instituted legal proceedings in 2015 against Ms. Lee & Mr. Wu for transfer back of PN#27 & PN#32 and informed the Company of the same in October 2015. Mr. Ng has, after seeking legal advice, intended to sue (i) the Company as issuer of PN#27 and PN#32 (for mistaken issue of the said promissory notes to Ms. Lee and Mr. Wu); and (ii) Ms. Lee and Mr. Wu being the Holders for failure of consideration.

In January 2016, the Company, as the issuer, instructed Messrs. Robert C.C. Ip & Co., Solicitors subsequently, Messrs. Cheng, Yeung & Co. and Mr. Benjamin Chain of Counsel to advise on the issues. The Counsel advised that the proper plaintiff should be the Company (since it was the issuer) to sue for return and cancellation of PN#27 & PN#32 issued by mistakes. The Counsel further advised the Company seeking clarification from Amax's former management prior to issue of writs.

The Company's lawyers then contacted and obtained confirmation from Mr. Chan, the then executive director and vice-chairman of the Company, that the Company issued PN#27, PN#28–30 and PN#32 upon the instructions of Ms. Chen. Mr. Chan mistakenly believed that these were Mr. Ng's instructions.

After the Company obtaining legal advice from the Counsel and further clarifications from Mr. Chan and considering that there is no conflict of interest between Mr. Ng and the Company (it being established that the Company issued PN#27 and PN#32 by mistake and that Mr. Ng confirmed that he will not make any claim against the Company for promissory notes issued under mistake), the Company believed that the correct party to PN#27 and PN#32 should be Mr. Ng and it was decided that the appropriate course of action is for the Company to take legal action against the Holders. Accordingly, based on legal advice, writs were issued by the Company as issuer against Ms. Lee and Mr. Wu on 18 March 2016 and 15 September 2016 respectively (the "**Legal Proceedings**"). Since the issuance of the writs of summons, the Company has been negotiating with the Holders for a settlement proposal in respect of the Promissory Notes concerned.

The Company is of the view that (i) the Company is the issuer of the Promissory Notes; (ii) the situation which led to the Company issued the Promissory Notes to the Holders was due to mistake of the then Company's management by not further verifying with Mr. Ng the instructions from Ms. Chen; and (iii) after seeking legal advice from the Counsel, the Company is considered liable to recover the Promissory Notes on behalf of Mr. Ng and bear the legal costs on the part incurred by the Company and Mr. Ng should bear the legal costs on the part incurred by him in this regard.

LETTER FROM THE BOARD

In addition, having considered (i) the mistake was committed unintentionally given that Ms. Chen was at all material times an assistant and representative of Mr. Ng and a majority of the administrative procedures in connection with the Acquisition were communicated between the Company and Ms. Chen; (ii) Mr. Chan has always been co-operating with the Company and the Company's legal advisor and has assisted the Company to get access to the full substances of the mistake given that the current management of the Company could hardly re-organize and assess the whole picture of the incident which occurred long before the discovery of such mistake when Mr. Ng was appointed as Chairman and Chief Executive Officer of the Company in September 2012; (iii) Mr. Ng has confirmed that he will not pursue legal action against the Company to indemnify any potential loss, damage, costs and expenses which may be suffered by him in associate with the mistake made by the Company; and (iv) the Company has indeed not suffered from significant loss or damage arising from the mistake, the Company considers not to take legal actions against the then management of the Company involved in the mistake.

THE DEED

The Company and the Holders entered into the Deed on 29 December 2017 and further agreed to extend the time to obtain the Approvals to 30 June 2018 on 8 May 2018, pursuant to which the parties agreed on a settlement proposal as set out under the terms and conditions of the Deed.

Date

29 December 2017

Parties

- (i) the Company; and
- (ii) the Holders, namely Ms. Lee Bing and Mr. Wu Weide

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Holders are independent third parties and not connected with, the Company and its connected persons as defined under the Listing Rules.

Conditions precedent under the Deed

The Deed is subject to and conditional upon:

- i. the necessary resolutions of the Company having been passed at the SGM to approve the Deed and the transactions contemplated thereunder, including the issue of the Convertible Bonds; and

LETTER FROM THE BOARD

- ii. the Listing Committee of the Stock Exchange granting or agreeing to grant and not revoking approval of the issue of the Convertible Bonds and the listing of the Conversion Shares in connection therewith

(collectively the “**Approvals**”).

The Company undertakes to obtain the Approvals on or before 30 June 2018, otherwise, unless the time is extended by consent of the Company and the Holders, the Deed shall be deemed to be cancelled and shall have no effect thenceforth.

The settlement proposal

Pursuant to the Deed, subject to satisfaction of the conditions, and at First Completion, the disputes between the Company and the Holders shall be fully settled in the following manner:

- (i) on the First Payment Date:
 - (a) Ms. Lee shall deliver PN#27 to the Company for cancellation together with a properly executed instrument of transfer and assignment of the sum of HK\$82,500,000 under PN#27 in favour of Mr. Ng or such other person or entity as the Company shall nominate; and
 - (b) Mr. Wu shall deliver PN#32 to the Company for cancellation together with a properly executed instrument of transfer and assignment of the sum of HK\$22,000,000 under PN#32 in favour of Mr. Ng or such other person or entity as the Company shall nominate.

Upon the cancellation of the Promissory Notes, the assignment of the aggregate sum of HK\$104,500,000 to Mr. Ng from the Holders will be settled by the Company by issuing the Ng PN to Mr. Ng. Mr. Ng has confirmed with the Company in writing that he will not appoint any nominee on behalf of him as transferee of the Ng PN.

- (ii) subject to (i) above, in consideration of the cancellation of the Promissory Notes in the name of the Holders respectively as aforesaid and the provisions herein, the Company agrees to pay the total sum of HK\$85,500,000 to the Holders as to (i) HK\$67,502,250 to Ms. Lee; and (ii) HK\$17,997,750 to Mr. Wu in the following manner:
 - (a) on the First Payment Date, the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders as to (i) HK\$4,342,250 to Ms. Lee; and (ii) HK\$1,157,750 to Mr. Wu;
 - (b) on the First Payment Date, the sum of HK\$20,000,000 by the issuance of zero-coupon promissory notes in favour of the Holders as to (i) HK\$15,790,000 to Ms. Lee; and (ii) HK\$4,210,000 to Mr. Wu and with a maturity date falling on the Second Payment Date provided always that such

LETTER FROM THE BOARD

promissory note (whether wholly or partly) shall not be sold, transferred, assigned or disposed of to any third party without the prior written consent of the Company;

- (c) on the First Payment Date, the sum of HK\$30,000,000 by the issuance of zero-coupon promissory notes in favour of the Holders as to (i) HK\$23,685,000 to Ms. Lee; and (ii) HK\$6,315,000 to Mr. Wu and with a maturity date falling on the Third Payment Date provided always that such promissory note (whether wholly or partly) shall not be sold, transferred, assigned or disposed of to any third party without the prior consent of the Company; and
- (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of the Convertible Bonds as to (i) HK\$23,685,000 to Ms. Lee; and (ii) HK\$6,315,000 to Mr. Wu on the First Payment Date.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the First Completion, the Convertible Bonds, when fully converted at the Conversion Price to 120,481,927 Conversion Shares, represent (i) approximately 14.77% of the existing issued share capital as at the Latest Practicable Date; and (ii) approximately 12.87% of the enlarged issued share capital.

- (iii) if the Company defaults in payment of any one of the payments on its due date mentioned in (ii) above, all the payments thereby that has remained unpaid shall become due and payable immediately. In addition thereto, interest shall be charged on overdue payments and only on the part of the overdue payments, from the date of overdue at an interest rate of 10% per annum until the actual payment by the Company.
- (iv) in order to secure the payment obligations by the Company to the Holders, the Company shall deliver an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders.

The Company is of the view that the Promissory Notes which are outstanding are undisputed liabilities of the Company and need to be repaid irrespective of the disputes between Mr. Ng, Ms. Lee and Mr. Wu on the title of the Promissory Notes. By entering into the Deed and dismissing the Legal Proceedings, the Company can fully resolve the disputes in connection with the Promissory Notes and can avoid incurring further legal costs to continue the Legal Proceedings. As such, the Company is of the view that the issue of the Ng PN, the Settlement PN and the Convertible Bonds to replace the Promissory Notes are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

First Completion

First Completion shall take place on the seventh Business Day after the fulfilment of the conditions whereupon:

- (i) the Company shall issue and deliver a promissory note in the amount of HK\$104,500,000 to Mr. Ng;
- (ii) the Company shall pay the solicitors of the Holders the sum of HK\$5,500,000;
- (iii) the Company shall issue and deliver the Settlement PN in the aggregate sum of HK\$50,000,000 and the Convertible Bond amounted to HK\$30,000,000 to the Holders; and
- (iv) the Company and the Holders shall cause their respective solicitors in the Legal Proceedings to sign and file a consent order for the dismissal of the Legal Proceedings with no order as to costs of such consent order and of the Legal Proceedings.

Mr. Ng, as the Chairman and Chief Executive Officer of the Company and together with senior management of the Company and the Company's legal advisor, involved in the negotiation on the terms and conditions of the Deed with the Holders. The settlement arrangement under the Deed and all transactions contemplated thereunder, in particular, the issue and delivery of the Ng PN in the amount of HK\$104,500,000 to Mr. Ng by the Company to repay the amount of HK\$104,500,000 assigned to Mr. Ng under the Deed, upon First Completion, was the result of negotiations among the parties involved in the Deed and Mr. Ng has agreed on the terms of the Deed.

The settlement amount under the Deed shall be initially satisfied from the Company's internal resources. Pursuant to the personal guarantee to be given by Mr. Ng upon First Completion, Mr. Ng shall guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders. As such, if the Company cannot fulfill any part of its payment obligations as scheduled under the Deed, Mr. Ng shall guarantee such shortfall and repay such shortfall to the Holders on behalf of the Company as to a maximum amount of HK\$85,500,000.

After assessing by the Company, assuming (1) the Deed will be materialized and the Convertible Bonds will be fully converted into equity; and (2) the Second Deed will be materialized and the Ng PN will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng in accordance with the terms and conditions of the Second Deed (details of the Second Deed were disclosed in the section headed "THE SECOND DEED" below), the Company is obliged to repay, (i) HK\$5,500,000 on the First Payment Date which is estimated to be on 29 June 2018; (ii) HK\$20,000,000 on the Second Payment Date which is estimated to be on 29 March 2019; and (iii) HK\$30,000,000 on the Third Payment Date which is estimated to be on 27 December 2019. Having considered the Group's current internal resources available together with the net proceeds of HK\$29,800,000 to be received from the Disposal, the Company is of the view that it has sufficient internal resources to meet the outstanding sum in the amount of HK\$25,500,000 which will fall due within the

LETTER FROM THE BOARD

next twelve months from the Latest Practicable Date while may not have sufficient internal resources to satisfy the remaining amount of HK\$30,000,000 which is estimated to be due on 27 December 2019. Therefore, the Company will also explore any possibility on equity fund raising to satisfy the settlement amount under the Deed when opportunity arises. Notwithstanding the likelihood that the Company may not be able to conduct any fund raising activity promptly to meet any of its outstanding payment obligations under the Deed when they fall due, any shortfall will be guaranteed by Mr. Ng's personal guarantee pursuant to the terms of the Deed. As at the Latest Practicable Date, the Company has not entered into any discussion, negotiation or agreement with any party in respect of any possible equity fund raising activity.

Pursuant to the terms of the Deed, the Settlement PN in the principal amount of HK\$20,000,000 and HK\$30,000,000 will mature and be due on the Second Payment Date and the Third Payment Date respectively. The Company plans to settle (i) HK\$20,000,000 from the Group's internal resources (including the net proceeds to be received from the Disposal); (ii) HK\$30,000,000 by means of a combination of (a) the Group's internal resources; (b) exploring opportunity for external equity or debt fund raising activity; and (c) requesting the exercise of the personal guarantee provided by Mr. Ng in case any shortfall is incurred.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

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

Issuer:	the Company
Principal amount:	HK\$30,000,000
Issue price:	100% of the principal amount of the Convertible Bonds
Conversion rights:	holder(s) of the Convertible Bonds (the " Bonds Holder(s) ") shall have the right to convert all the Convertible Bonds into Conversion Shares at the maturity date. In case the Bonds Holder(s) do not exercise their right of conversion under the Convertible Bonds at the maturity date, the Company shall pay the Bonds Holder(s) the amount of HK\$30,000,000 accordingly

Conversion right of the Convertible Bonds shall not be exercised by the Bonds Holder(s) if:

- (i) the Bonds Holder(s) and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Bonds Holder(s) would be obliged to make a general offer under the Takeovers Code;

LETTER FROM THE BOARD

- (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or
- (iii) the Bonds Holder(s) or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

Conversion Price:	HK\$0.249 per Conversion Share, subject to adjustments by the adjustment provisions summarised below
Number of Conversion Shares issuable:	120,481,927 conversion shares to be issued under the Specific Mandate based on the initial Conversion Price
Maturity date:	the last Business Day of the period of nine calendar months after the Third Payment Date which is estimated to be on 29 September 2020 assuming the First Payment Date on 29 June 2018
Interest:	the Convertible Bonds will be interest free
Transferability:	the Convertible Bonds will be freely transferrable. In case the Bonds Holder(s) intend to sell, transfer, assign or dispose of the Convertible Bonds or any part thereof to a third party, the Bonds Holder(s) shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng
Voting rights:	the holders of the Convertible Bonds are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Convertible Bonds
Listing:	no listing will be sought for the Convertible Bonds on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares
Ranking:	the Conversion Shares shall rank <i>pari passu</i> with the Shares in issue on the conversion date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the conversion date
Early redemption:	the Company is not entitled to redeem all or part of the Convertible Bonds before the maturity date

LETTER FROM THE BOARD

Anti-dilution:

The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company in the following events:

(a) Consolidation or subdivision:

In the event of changes in the nominal value of shares as a result of consolidation or subdivision of shares, the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the change by the following fraction:

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

where:

A is the nominal value per share immediately after the change; and

B is the nominal value per share immediately before the change.

Such adjustments shall become effective after market close on the Business Day preceding the effective date of the change.

LETTER FROM THE BOARD

(b) Capitalisation of earnings or reserves:

- (i) In the event that a listed company issues any share credited as fully paid to the shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve) (excluding any share issued for the purpose of substituting all or any part of the dividend which would otherwise be received in cash (“**Relevant Cash Dividend**”) by shareholders (“**Scrip Dividend**”)), the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the issue by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares in issue immediately after the issue.

- (ii) In the event that the shares are issued by way of Scrip Dividend, and the then market value of share exceeds 110% of Relevant Cash Dividend and such issue is not classified as capital distribution, the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the issue of shares by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

LETTER FROM THE BOARD

B is the aggregate nominal value of shares issued by way of Scrip Dividend, multiplying the following fraction:

1. the numerator is the amount of the Relevant Cash Dividend entitled to each share; and
2. the denominator is the market value of each share issued in respect of each existing share in lieu of the Relevant Cash Dividend; and

C is the aggregate nominal value of shares issued by way of Scrip Dividend.

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

In paragraph (b), “market value”, for the purpose of shares, means the price or value of each share as specified in or calculated based on the terms provided in the announcement, notice or other documents issued to its shareholders for the purpose of determining the nominal value of shares issued by way of Relevant Cash Dividend by a listed company.

(c) Capital distribution:

In the event of any capital distribution paid or made by a listed company (the Conversion Price should be adjusted according to the sub-paragraph (b) above, or with the exception that no adjustment is required after referring to the sub-paragraph (b) above), the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the capital distribution by the following fraction:

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

where:

A is the current market price before the date on which the capital distribution is publicly announced, or (in the absence of relevant announcements) the last trading day immediately before the capital distribution; and

LETTER FROM THE BOARD

B is the fair market value of the portion of the capital distribution attributable to each share on the date of such announcement on capital distribution or (if applicable) the last trading day immediately before the capital distribution, which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the capital distribution.

- (d) Issuance of shares or share options to subscribe for shares to shareholders:

In the event that a listed company issues shares to all or substantially all shareholders (who have the same rights as a result of their holding of shares), or issues or grants any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of shares is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement;

B is the number of shares which the amount receivable for the shares to be issued, or the amount receivable for the share option, stock warrant or other rights, plus the amount receivable for subscription for or purchase of the shares involved would purchase at such current market price per share; and

C is the total number of shares to be issued or (if applicable) relevant shares to be granted upon grant of such rights.

Such adjustment shall become effective on the date of issue of shares or issue or grant of share option, stock warrant or other rights (as the case may be).

LETTER FROM THE BOARD

(e) Issue of other securities to shareholders:

In the event that a listed company issues any security or grants any share option, stock warrant or other rights to subscribe for or purchase any security to all or substantially all shareholders (who have the same rights as a result of their holding of shares) (excluding the issue or grant of shares or share option, stock warrant or other rights set out in subparagraph (d) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the current market price of each share on the last trading day immediately before the announcement of the issue or grant, or (in the absence of such announcement) the current market price prior to the record date immediately before the issue or grant; and

B is the fair market value of rights entitled to each shares on the date of announcement (or in the absence of such announcement, the record date of such issue or grant), which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the record date of the issue or grant of rights.

LETTER FROM THE BOARD

- (f) Issues at a price lower than current market price:

In the event that a listed company issued shares by way of cash only (with the exception of the approaches as set out in the sub-paragraph (d) above) (other than shares issued upon the exercise of conversion rights or the exercise of any other right to convert (or exchange or subscribe for) shares), or issues or grants (with the exception of the approaches as set out in the sub-paragraph (d) above) any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of each share is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B is the number of shares which the aggregate consideration receivable for the additional shares to be issued upon the issue or grant would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon the issue or grant.

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

LETTER FROM THE BOARD

- (g) Other issues at a price lower than current market price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (g), the issue wholly for cash by a listed company or any subsidiary or (pursuant to the instruction or requirement of a listed company or any subsidiary or any of its arrangement entered into with a listed company) any other person (other than those set out in sub-paragraphs (d), (e) and (f) above) of any securities (including the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange of or subscription for or purchase of, shares (or grant any of such rights of any existing securities so issued) at a consideration per share which is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue (or grant) by the following fraction:

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

where:

A is the number of shares in issue immediately before such issue or grant;

B is the number of shares which the aggregate consideration receivable for the shares to be issued upon conversion, subscription, exchange, or upon exercise of the such rights attached to the securities would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon exercise of the rights of conversion, exchange, or subscription attached to the securities.

Such adjustment shall become effective on the date of issue or grant of the securities.

LETTER FROM THE BOARD

(h) Modification of rights of conversion, etc.:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription (including those made in accordance with the terms applicable to such securities) attaching to any such securities mentioned in sub-paragraph (g) above so that the consideration per share receivable by a listed company is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

A is the number of shares in issue immediately before such modification;

B is the number of shares which the aggregate consideration receivable for the shares to be issued by the Company upon exercise of the modified rights of conversion, exchange, subscription or purchase attached to the securities would purchase at such current market price per share (or, if lower, the existing conversion, exchange, subscription or purchase price); and

C is the maximum number of shares to be issued upon exercise of the modified rights of conversion, exchange, subscription or purchase.

Such adjustment shall become effective on the effective date of such modification.

LETTER FROM THE BOARD

Regarding the Preemptive Right, the Company was given to understand that the arrangement was a result of the request from Ms. Lee and Mr. Wu, as one of the conditions to enter into the Deed. In addition, Mr. Ng gave a personal guarantee for payment of the Company's payment obligations under the Deed. The Company has discussed with and has obtained confirmation from Mr. Ng that in the event Mr. Ng has exercised the Preemptive Right and that any part of the Convertible Bonds remain outstanding when they fall due, he will further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval. Therefore, the Company considered that if the Preemptive Right is exercised, it will provide an opportunity for the Company to further negotiate favourable repayment terms with Mr. Ng. As such, the Directors are of the view that the Preemptive Right is in the interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, there is no other agreement or arrangement or understanding entered into between the Company and Mr. Ng in respect of any definitive settlement method of the Convertible Bonds in the event that Mr. Ng has exercised the Preemptive Right.

The Conversion Price

As at the date of the Deed, the closing market price per share of the Company at the Stock Exchange is HK\$0.25, thus, the proposed Conversion Price is HK\$0.249. The Conversion Price per Conversion Share was arrived at after arm's length negotiation between the Company and the Holders with reference to, among other things, (i) the audited consolidated net asset value per share of the Company as at 31 March 2017 (being approximately HK\$0.408); and (ii) the weak performance of trading price of the Shares that the closing price of the Shares as at the execution date of the Deed being HK\$0.25 per Share represents a drop of over 62% when comparing to that of the 52 week high being HK\$0.66 per Share.

The proposed Conversion Price of HK\$0.249 per Conversion Share represents:

- (i) a discount of approximately 0.40% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange as at the date of the Deed;
- (ii) a premium of approximately 0.40% to the average closing price of approximately HK\$0.248 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the preceding date of the Deed;
- (iii) a discount of approximately 2.35% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a discount of approximately 38.97% to the unaudited net asset value of approximately HK\$0.408 per Share as at 30 September 2017 (based on the unaudited consolidated net assets of the Group attributable to its Shareholders of approximately HK\$332.4 million as at 30 September 2017 as shown in the Company's interim report for the six months ended 30 September 2017 and 815,530,039 Shares in issue as at the Latest Practicable Date).

LETTER FROM THE BOARD

The Conversion Shares

As at the Latest Practicable Date, assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.249 per Conversion Share, the Convertible Bonds will be convertible into a maximum of 120,481,927 Conversion Shares. The Conversion Shares represent (i) approximately 14.77% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.87% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares assuming the conversion rights attaching to the Convertible Bonds are exercised in full.

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the SGM.

THE SECOND DEED

Subsequent to the entering into of the Deed, the Company has been negotiating with Mr. Ng for a settlement proposal in respect of the Ng PN concerned. On 1 March 2018, the Company entered into the Second Deed with Mr. Ng, pursuant to which the Ng PN will be settled by the issuance of the Second Convertible Bonds by the Company to Mr. Ng. Details of the Second Deed and the Second Convertible Bonds are as follow:

Date

1 March 2018

Parties

- (i) the Company; and
- (ii) Mr. Ng

Conditions precedent under the Second Deed

The Second Deed is subject to and conditional upon:

- (a) all necessary resolutions of the Company having been passed at a special general meeting of Company to approve the Second Deed and the transactions contemplated thereunder, including the issue of the Second Convertible Bonds and the allotment and issue of the Second Conversion Shares;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Second Conversion Shares; and
- (c) the Deed having completed.

LETTER FROM THE BOARD

None of the above conditions is waivable. If the conditions (a), (b) and (c) are not fulfilled within a period of nine (9) months from the date of the Second Deed or such other date as may be agreed by the Company and Mr. Ng in writing, the Second Deed shall be void and of no further effect and the Company shall further negotiate with Mr. Ng on the repayment of the Ng PN.

The Company would like to emphasize that the Deed is not conditional to the Second Deed, Independent Shareholders may approve the Deed but not the Second Deed in this regard.

If the Second Deed is not approved by the Independent Shareholders, the Company will not issue the Second Convertible Bonds to settle the Ng PN.

The Company is aware that the Ng PN to be issued by the Company to Mr. Ng upon First Completion will become due upon issue. The Company is of the view that if the Company cannot obtain Independent Shareholders' approval on the Second Deed, the Company will not have sufficient internal resources to settle the Ng PN based on current financial resources available to the Group. The Company has discussed with Mr. Ng and was notified that Mr. Ng has confirmed to further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval, in the event that the Independent Shareholders disapprove the Second Deed. As at the Latest Practicable Date, there is no other agreement or arrangement or understanding entered into between the Company and Mr. Ng in respect of the Ng PN in the event the Independent Shareholders disapprove the Second Deed.

Second Completion

Second Completion shall take place on the seventh (7) Business Day following the fulfillment of all conditions precedent set out above.

PRINCIPAL TERMS OF THE SECOND CONVERTIBLE BONDS

Issuer:	the Company
Principal amount:	HK\$104,500,000
Maturity date:	the last Business Day of the period of twelve calendar months from the date of issue of the Second Convertible Bonds which is estimated to be on 29 June 2019
Interest:	the Second Convertible Bonds will be interest free
Second Conversion Price:	HK\$0.30 per Second Conversion Share, subject to adjustments by the adjustment provisions summarised below

LETTER FROM THE BOARD

Second Conversion Shares:	a maximum of 348,333,333 Second Conversion Shares to be issued under the specific mandate of the Company based on the initial Second Conversion Price
Conversion period:	the period commencing the date of issue of the Second Convertible Bonds and expiring on the maturity date (the “ Conversion Period ”)
Conversion rights:	<p>holder(s) of the Second Convertible Bonds (the “Second Bonds Holder(s)”) will have the right to convert the Second Convertible Bonds in whole or in part (in an integral multiple of HK\$500,000) of the outstanding principal amount of the Second Convertible Bonds on any Business Day during the Conversion Period.</p> <p>Conversion right of the Second Convertible Bonds shall not be exercised by the Second Bonds Holder(s) if:</p> <ul style="list-style-type: none">(i) the Second Bonds Holder(s) and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Second Bonds Holder(s) would be obliged to make a general offer under the Takeovers Code;(ii) the Company will be unable to meet the public float requirements under the Listing Rules; or(iii) the Second Bonds Holder(s) or the Company will as a result of the issue of the relevant Second Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.
Transferability:	the Second Convertible Bonds will be freely transferable to third party and any transfer of the Second Convertible Bonds may be effected in denominations of HK\$500,000. Unless fully comply with relevant requirements under the Listing Rules, the Second Convertible Bonds cannot be transferred to a connected person (as defined in the Listing Rules) if necessary
Voting rights:	Second Bonds Holder(s) are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Second Convertible Bonds
Listing:	no listing will be sought for the Second Convertible Bonds on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Second Conversion Shares

LETTER FROM THE BOARD

- Ranking: the Second Conversion Shares shall rank *pari passu* with the Shares in issue on the conversion date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the conversion date
- Early redemption: the Company is not entitled to redeem all or part of the Second Convertible Bonds before the maturity date

LETTER FROM THE BOARD

Anti-dilution:

The Second Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company in the following events:

(a) Consolidation or subdivision:

In the event of changes in the nominal value of shares as a result of consolidation or subdivision of shares, the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the change by the following fraction:

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

where:

A is the nominal value per share immediately after the change; and

B is the nominal value per share immediately before the change.

Such adjustments shall become effective after market close on the Business Day preceding the effective date of the change.

(b) Capitalisation of earnings or reserves:

(i) In the event that a listed company issues any share credited as fully paid to the shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve) (excluding any share issued for the purpose of substituting all or any part of the dividend which would otherwise be received in cash (“**Relevant Cash Dividend**”) by shareholders (“**Scrip Dividend**”)), the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the issue by the following fraction:

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

LETTER FROM THE BOARD

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares in issue immediately after the issue.

- (ii) In the event that the shares are issued by way of Scrip Dividend, and the then market value of share exceeds 110% of Relevant Cash Dividend and such issue is not classified as capital distribution, the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the issue of shares by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares issued by way of Scrip Dividend, multiplying the following fraction:

1. the numerator is the amount of the Relevant Cash Dividend entitled to each share; and
2. the denominator is the market value of each share issued in respect of each existing share in lieu of the Relevant Cash Dividend; and

C is the aggregate nominal value of shares issued by way of Scrip Dividend.

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

LETTER FROM THE BOARD

In paragraph (b), “market value”, for the purpose of shares, means the price or value of each share as specified in or calculated based on the terms provided in the announcement, notice or other documents issued to its shareholders for the purpose of determining the nominal value of shares issued by way of Relevant Cash Dividend by a listed company.

(c) Capital distribution:

In the event of any capital distribution paid or made by a listed company (the Second Conversion Price should be adjusted according to the sub-paragraph (b) above, or with the exception that no adjustment is required after referring to the sub-paragraph (b) above), the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the capital distribution by the following fraction:

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

where:

A is the current market price before the date on which the capital distribution is publicly announced, or (in the absence of relevant announcements) the last trading day immediately before the capital distribution; and

B is the fair market value of the portion of the capital distribution attributable to each share on the date of such announcement on capital distribution or (if applicable) the last trading day immediately before the capital distribution, which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the capital distribution.

LETTER FROM THE BOARD

- (d) Issuance of shares or share options to subscribe for shares to shareholders:

In the event that a listed company issues shares to all or substantially all shareholders (who have the same rights as a result of their holding of shares), or issues or grants any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of shares is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement;

B is the number of shares which the amount receivable for the shares to be issued, or the amount receivable for the share option, stock warrant or other rights, plus the amount receivable for subscription for or purchase of the shares involved would purchase at such current market price per share; and

C is the total number of shares to be issued or (if applicable) relevant shares to be granted upon grant of such rights.

Such adjustment shall become effective on the date of issue of shares or issue or grant of share option, stock warrant or other rights (as the case may be).

LETTER FROM THE BOARD

(e) Issue of other securities to shareholders:

In the event that a listed company issues any security or grants any share option, stock warrant or other rights to subscribe for or purchase any security to all or substantially all shareholders (who have the same rights as a result of their holding of shares) (excluding the issue or grant of shares or share option, stock warrant or other rights set out in subparagraph (d) above), the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the current market price of each share on the last trading day immediately before the announcement of the issue or grant, or (in the absence of such announcement) the current market price prior to the record date immediately before the issue or grant; and

B is the fair market value of rights entitled to each shares on the date of announcement (or in the absence of such announcement, the record date of such issue or grant), which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the record date of the issue or grant of rights.

LETTER FROM THE BOARD

- (f) Issues at a price lower than current market price:

In the event that a listed company issued shares by way of cash only (with the exception of the approaches as set out in the sub-paragraph (d) above) (other than shares issued upon the exercise of conversion rights or the exercise of any other right to convert (or exchange or subscribe for) shares), or issues or grants (with the exception of the approaches as set out in the sub-paragraph (d) above) any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of each share is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B is the number of shares which the aggregate consideration receivable for the additional shares to be issued upon the issue or grant would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon the issue or grant.

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

LETTER FROM THE BOARD

- (g) Other issues at a price lower than current market price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (g), the issue wholly for cash by a listed company or any subsidiary or (pursuant to the instruction or requirement of a listed company or any subsidiary or any of its arrangement entered into with a listed company) any other person (other than those set out in sub-paragraphs (d), (e) and (f) above) of any securities (including the Second Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange of or subscription for or purchase of, shares (or grant any of such rights of any existing securities so issued) at a consideration per share which is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the terms of issue of such securities, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue (or grant) by the following fraction:

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

where:

A is the number of shares in issue immediately before such issue or grant;

B is the number of shares which the aggregate consideration receivable for the shares to be issued upon conversion, subscription, exchange, or upon exercise of the such rights attached to the securities would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon exercise of the rights of conversion, exchange, or subscription attached to the securities.

Such adjustment shall become effective on the date of issue or grant of the securities.

LETTER FROM THE BOARD

(h) Modification of rights of conversion, etc.:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription (including those made in accordance with the terms applicable to such securities) attaching to any such securities mentioned in sub-paragraph (g) above so that the consideration per share receivable by a listed company is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the proposals for such modification, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

A is the number of shares in issue immediately before such modification;

B is the number of shares which the aggregate consideration receivable for the shares to be issued by the Company upon exercise of the modified rights of conversion, exchange, subscription or purchase attached to the securities would purchase at such current market price per share (or, if lower, the existing conversion, exchange, subscription or purchase price); and

C is the maximum number of shares to be issued upon exercise of the modified rights of conversion, exchange, subscription or purchase.

Such adjustment shall become effective on the effective date of such modification.

The Second Conversion Price

As at the date of the Second Deed, the closing market price per share of the Company at the Stock Exchange is HK\$0.325, thus, the proposed Second Conversion Price is HK\$0.30. The Second Conversion Price per Second Conversion Share was arrived at after arm's length negotiation between the Company and Mr. Ng with reference to, among other things, (i) the audited consolidated net asset value per share of the Company as at 31 March

LETTER FROM THE BOARD

2017 (being approximately HK\$0.408); and (ii) the weak performance of trading price of the Shares that the closing price of the Shares as at the execution date of the Second Deed being HK\$0.325 per Share represents a drop of over 40% when comparing to that of the 52 week high being HK\$0.58 per Share.

The Second Conversion Price of HK\$0.30 per Second Conversion Share represents:

- (i) a discount of approximately 7.69% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange as at the date of the Second Deed;
- (ii) a discount of approximately 9.64% to the average closing price of approximately HK\$0.332 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the preceding date of the Second Deed;
- (iii) a premium of approximately 17.65% to the closing price of approximately HK\$0.255 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a discount of approximately 26.47% to the unaudited net asset value of approximately HK\$0.408 per Share as at 30 September 2017 (based on the unaudited consolidated net assets of the Group attributable to its Shareholders of approximately HK\$332.4 million as at 30 September 2017 as shown in the Company's interim report for the six months ended 30 September 2017 and 815,530,039 Shares in issue as at the Latest Practicable Date).

The Second Conversion Shares

As at the Latest Practicable Date, assuming full conversion of the Second Convertible Bonds at the Second Conversion Price of HK\$0.30 per Second Conversion Share, the Second Convertible Bonds will be convertible into a maximum of 348,333,333 Second Conversion Shares. The Second Conversion Shares represent: (i) approximately 42.71% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 29.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Second Conversion Shares assuming the conversion rights attaching to the Second Convertible Bonds are exercised in full.

The Second Conversion Shares will be allotted and issued under a specific mandate to be sought for approval from the Independent Shareholders at the SGM.

FINANCIAL IMPACT OF THE DEED AND THE SECOND DEED

Net assets and net current assets

Based on the Interim Report 2017/18, the net assets of the Group amounted to approximately HK\$332.4 million as at 30 September 2017. As a result of the Deed and the Second Deed, the outstanding amount of the Promissory Notes will be fully settled. Pursuant to the Deed, on the First Payment Date, the sum of HK\$5,500,000 shall be paid to the solicitors of the Holders, while the Settlement PN shall be issued to the Holders in the

LETTER FROM THE BOARD

respective sum of HK\$20,000,000 and HK\$30,000,000 with the respective maturity date falling on the Second Payment Date and the Third Payment Date. The Company shall also issue the Convertible Bonds in the principal amount of HK\$30,000,000 on the First Payment Date.

Pursuant to the Deed, the Promissory Notes will be cancelled and a portion of which will be transferred to Mr. Ng by issuing the Ng PN in the amount of HK\$104,500,000 which will be due upon issuance. Pursuant to the Second Deed, the Ng PN shall be settled by issuance of the Second Convertible Bonds to Mr. Ng. Independent Shareholders may approve both the Deed and the Second Deed (“**Scenario 1**”) or the Deed only (“**Scenario 2**”). Assuming that the Company will settle the upfront payment of HK\$5,500,000 and Settlement PN in the aggregate amount of HK\$50,000,000 under the Deed by internal resources, the financial effects under Scenario 1 and Scenario 2 will be as follows:

Scenario 1

The Company expects that immediately upon issue of the Settlement PN and the repayment of the upfront payment in the amount of HK\$5,500,000 on the First Payment Date, the current assets of the Group will decrease by HK\$5,500,000, while the current liabilities and non-current liabilities will decrease by HK\$35,500,000 and increase by HK\$30,000,000, respectively. The net assets of the Group will remain unchanged. In addition, immediately upon issue of the Convertible Bonds on the First Payment Date and assuming that the Second Convertible Bonds will be issued on the First Payment Date, a portion of the current liabilities will be classified to non-current liabilities. The Convertible Bonds and the Second Convertible Bonds will be accounted for at fair value on the consolidated balance sheets of the Group upon completion of the Deed and the Second Deed. The fair value of the Convertible Bonds and the Second Convertible Bonds will depend on certain market conditions, and that the respective equity portion and the liability portion of the Convertible Bonds and the Second Convertible Bonds to be recognised will be subject to assessment and valuation by independent professional valuer. The Company expects that (i) the current liabilities of the Group will be further reduced; and (ii) the overall liabilities of the Group will be further reduced and the net assets are expected to increase, immediately upon issue of the Convertible Bonds and the Second Convertible Bonds on the First Payment Date.

Scenario 2

The Second Convertible Bonds will not be issued and the Ng PN under the Deed will become due upon issue. The current assets of the Group will decrease by HK\$5,500,000, while the current liabilities and non-current liabilities of the Group will decrease by HK\$35,500,000 and increase by HK\$30,000,000, respectively. The net assets of the Group will remain unchanged. In addition, immediately upon issue of the Convertible Bonds on the First Payment Date, a portion of the current liabilities will be classified to non-current liabilities. The Convertible Bonds will be accounted for at fair value on the consolidated balance sheets of the Group upon completion of the Deed. The fair value of the Convertible Bonds will depend on certain market conditions, and that the respective equity portion and the liability portion of the

LETTER FROM THE BOARD

Convertible Bonds to be recognised will be subject to assessment and valuation by independent professional valuer. The Company expects that (i) the current liabilities of the Group will be further reduced; and (ii) the overall liabilities of the Group will be further reduced and the net assets are expected to increase, immediately upon issue of the Convertible Bonds on the First Payment Date.

Assuming the Ng PN will be settled by internal resources of the Group, the current assets of the Group will further decrease by the principal amount of the Ng PN of HK\$104,500,000 and the current liabilities will be further reduced by the same amount correspondingly. However, in view of the current tight financial resources available to the Group, it is expected that the Company will not have sufficient internal resources to settle the Ng PN. In this connection, the Company has discussed with Mr. Ng and was notified that Mr. Ng has confirmed to further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval. As at the Latest Practicable Date, there is no agreement or arrangement or understanding entered into between the Company and Mr. Ng in respect of the settlement of the Ng PN in the event that the Second Deed is not approved by the Independent Shareholders.

On the Second Payment Date, the Company shall settle part of the Settlement PN in the amount of HK\$20,000,000 from the Group's internal resources. The current assets of the Group will decrease by HK\$20,000,000 while the current liabilities of the Group will decrease by HK\$20,000,000 as a result of the settlement of the Settlement PN in the amount of HK\$20,000,000. Therefore, on the Second Payment Date, the net assets and net current assets of the Group will remain unchanged under both Scenario 1 and Scenario 2.

On the Third Payment Date, the Company shall settle the remaining part of the Settlement PN in the amount of HK\$30,000,000. The settlement amount of HK\$30,000,000 is expected to be settled by a combination of (a) the Group's internal resources; (b) external equity or debt financing; and (c) requesting the exercise of the personal guarantee provided by Mr. Ng in case any shortfall incurred. For illustration purpose, assuming that such repayment will be fully settled by internal resources of the Group on the Third Payment Date, the current assets of the Group will decrease by HK\$30,000,000 and the current liabilities of the Group will decrease by the same amount correspondingly. Therefore, on the Third Payment Date, the net assets and net current assets of the Group will remain unchanged under both Scenario 1 and Scenario 2.

The Board is of the view that given that the Promissory Notes accounted for a majority portion of around 93.09% of the current liabilities of the Group as at 30 September 2017, it is expected that the Group will turnaround from net current liabilities to net current assets upon completion of the Deed and the Second Deed.

LETTER FROM THE BOARD

Liquidity

Pursuant to the Deed, the sum of HK\$5,500,000 shall be paid by the Company to the solicitors of the Holders on the First Payment Date. Assuming such sum will be settled by internal resources of the Group, the cash and cash equivalents of the Group will decrease by HK\$5,500,000. Given that the Ng PN to be issued on the First Payment Date will be due immediately upon such issuance, the Group shall be obliged to settle the Ng PN in the principal amount of HK\$104,500,000 which may reduce its liquidity upon repayment. As the Convertible Bonds and the Second Convertible Bonds carry no interest payment, no cash outflow will be involved until redemption of the Convertible Bonds and the Second Convertible Bonds at their respective maturity.

In view of the above financial effects, in particular, the positive impact on the Group's net assets under Scenario 1, where both the Deed and the Second Deed were approved, and the potential turnaround of the Group from net current liabilities to net current assets, the Board considers that the overall financial effect on the Group as a result of the Deed and the Second Deed is positive.

However, Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group as a result of the Deed and the Second Deed.

REASONS FOR AND BENEFITS OF THE DEED AND THE SECOND DEED

The principal activities of the Company are running the VIP gaming tables related operation and slot machines related operation, operating the gaming business in Vanuatu and the VIP room in Cambodia and the development of innovative intellectual properties and technological solutions, mobile apps development and the provision of IT solutions to clients and mobile users.

Prior to the expiry of the Promissory Notes, the Company has been exploring measures to meet the repayment requirement when the Promissory Notes fall due.

In May 2015, the Company obtained an unsecured loan facility (the "**Loan Facility**") for an amount of up to HK\$250,000,000 with an independent financial institution for a term of 24 months. Upon expiry, the Loan Facility has been renewed for another term of 24 months. The Loan Facility carries interest at 24% per annum upon drawdown. Since the date of the Loan Facility up to the Latest Practicable Date, the Loan Facility has not been utilized. Given the Loan Facility available to the Company, the Directors are of the view that the Company has obtained sufficient resources to secure the Company's repayment obligations when the Promissory Notes fall due, although the Company considers to settle the Promissory Notes by means of the Loan Facility as the last resort given the high interest rate of the Loan Facility.

LETTER FROM THE BOARD

In December 2015, the Company has approached two securities firms for any possibility to act as underwriters for open offer exercises for the purpose of satisfying the Promissory Notes but the Company received negative feedbacks from these securities firms for conducting any of such fund raising exercises for the Group.

Given that the Legal Proceedings were still in progress, the Company was advised by its legal advisor that the Company was not appropriate to settle the Promissory Notes when they fell due on 22 March 2016 and 18 September 2016 respectively.

Since the initiation of the Legal Proceedings by the Company in 2016, the Company, Mr. Ng and the Holders has been negotiating for a settlement proposal in respect of the Promissory Notes concerned.

According to the annual report of the Company for the year ended 31 March 2017, the Group recorded revenue of approximately HK\$11,401,000 and loss for the period was approximately HK\$989 million. As at 30 September 2017, the Group had approximately HK\$731,000 cash and bank balances and approximately HK\$204 million total liabilities and the Promissory Notes, which were already due on 22 March 2016 and 18 September 2016 respectively, alone accounted for approximately 92.98% of the total liabilities of the Group as at 30 September 2017.

The Group's estimated general working capital requirements for the next 12 months amount to around HK\$47,000,000. Given the tight financial position of the Group, the Group is unable to borrow funds from banks. Although the Company has obtained the Loan Facility from an independent financial institution, the interest of the Loan Facility of 24% per annum is unfavourable to the Company and the Company would only consider to utilize the Loan Facility as the last resort.

In December 2015, the Company has also approached two securities firms for any possibility to act as underwriters for open offer exercises for the purpose of satisfying the Promissory Notes but the Company received negative feedbacks from these securities firms for conducting any of such fund raising exercises for the Group. Besides, it would be more costly for the Company to conduct rights issue or open offer as compared to the issue of new Shares and/or promissory notes and/or convertible securities.

LETTER FROM THE BOARD

The Directors also considered utilizing the existing general mandate of 77,906,007 Shares. Nevertheless, the recent weak trading performance of the Shares and the possible proceeds from utilizing the available general mandate is insufficient to settle the Promissory Notes. Besides, the Company is of the view that the Promissory Notes which are outstanding are undisputed liabilities of the Company and need to be repaid irrespective of the disputes between Mr. Ng, Ms. Lee and Mr. Wu on the title of the Promissory Notes. By entering into the Deed and dismissing the Legal Proceedings, the Company would avoid incurring further legal costs. Furthermore, the Deed and the Second Deed are subject to Independent Shareholders' approval at the SGM which will allow the Independent Shareholders to participate in the Company's affairs.

The Company would like to emphasize that if the Independent Shareholders disapprove the Deed, the settlement proposal under the Deed will not proceed and the Company will continue the Legal Proceedings to resolve the disputes in connection with the Promissory Notes. As such, material uncertainties will rise as to (i) the duration to close the Legal Proceedings; (ii) whether the judgment of the Legal Proceedings will be favourable to the Company; and (iii) the amount of further legal and professional fees to be incurred in connection with the Legal Proceedings. If the Independent Shareholders disapprove the Second Deed, the Company will not issue the Second Convertible Bonds to settle the Ng PN.

The Company is aware that the Ng PN to be issued by the Company to Mr. Ng upon First Completion will become due upon issue. The Company is of the view that if the Company cannot obtain Independent Shareholders' approval on the Second Deed, the Company will not have sufficient internal resources to settle the Ng PN based on current financial resources available to the Group. The Company has discussed with Mr. Ng and was notified that Mr. Ng has confirmed to further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval, in the event that the Independent Shareholders disapprove the Second Deed. As at the Latest Practicable Date, there is no other agreement or arrangement or understanding entered into between the Company and Mr. Ng in respect of the Ng PN in the event the Independent Shareholders disapprove the Second Deed.

In the event that the Second Deed was disapproved by the Independent Shareholders, all the terms and obligations of Mr. Ng under the Deed, including (i) the Preemptive Right; (ii) the cancellation of PN#27 and PN#32 in the aggregate amount of HK\$190,000,000 and partially replaced by the issue of the Ng PN in the principal amount of HK\$104,500,000 to Mr. Ng; and (iii) the personal guarantee given by Mr. Ng to guarantee all payment of the Company's payment obligations under the Deed in favour of the Holders, will remain effective, in full force and binding on Mr. Ng.

LETTER FROM THE BOARD

The Company is aware that the shareholding interest of the public Shareholders would be diluted from approximately 65.61% to 41.66% immediately after full conversion of (a) Convertible Bonds into Conversion Shares and (b) Second Convertible Bonds into Second Conversion Shares, assuming there is no other change in the share capital of the Company from the Latest Practicable Date to the allotment and issue of the Conversion Shares and the Second Conversion Shares. Taking into account (i) the Group will turnaround from net current liabilities to net current assets upon completion of the Deed and the Second Deed; (ii) the Company will no longer face a highly uncertain and costly Legal Proceedings to recover the Promissory Notes; (iii) the terms and conditions of the Deed and the Second Deed are fair and reasonable; (iv) save for the Loan Facility with high interest rate of 24% per annum, the Company is unable to identify other suitable alternative method to settle the Promissory Notes; and (v) the issue of the Convertible Bonds and the Second Convertible Bonds provide an opportunity for the Company to convert part of the Promissory Notes into equity and hence release the liability burden of the Company, the Directors are of the view that the potential dilution impact to the public Shareholders as a result of the full conversion of the Convertible Bonds and the Second Convertible Bonds is acceptable.

Given the facts that if the Deed and the Second Deed are approved by the Independent Shareholders: 1) the amount of Ng PN is far below the sum claimed by Mr. Ng, that is, HK\$190 million; 2) Mr. Ng will provide personal guarantee on the Settlement PN and the Convertible Bonds and; 3) Mr. Ng confirmed he will not pursue any legal action against the Company in relation to the issuance of PN#27 and PN#32, therefore, the Board is of the view that there is no ground to presume Mr. Ng will benefit from the settlement proposal.

Based on the above, the Directors (excluding Mr. Ng and Ms. Ng Wai Yee) are of the view that the Deed and the Second Deed is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summaries the capital raising activity of the Company for the twelve months immediately before the Latest Practicable Date:

Date of initial announcement	Description	Net proceeds	Intended use of proceeds
24 May 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$6.80 million	General working capital and investment

Actual use of proceeds as at the Latest Practicable Date:

Items	HK\$ (million)
Staff salaries and Directors fees	1.43
Rental and operating expenses	2.72
Legal and professional fees	0.97
Investment in Vanuatu gaming business	<u>1.68</u>
Total	<u>6.80</u>

Date of initial announcement	Description	Net proceeds	Intended use of proceeds
6 September 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$5.31 million	General working capital and investment

LETTER FROM THE BOARD

Actual use of proceeds as at the Latest Practicable Date:

Items	HK\$ <i>(million)</i>
Staff salaries and Directors fees	0.72
Rental and operating expenses	1.30
Legal and professional fees	0.77
Investment in Vanuatu gaming business	<u>2.52</u>
Total	<u><u>5.31</u></u>

Date of initial announcement	Description	Net proceeds	Intended use of proceeds
28 September 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$10.30 million	General working capital and investment

Actual use of proceeds as at the Latest Practicable Date:

Items	HK\$ <i>(million)</i>
Settlement of payables	1.50
Staff salaries and Directors fees	2.14
Rental and operating expenses	3.01
Legal and professional fees	2.25
Investment in Vanuatu gaming business	<u>1.40</u>
Total	<u><u>10.30</u></u>

LETTER FROM THE BOARD

CHANGE OF SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company (for illustrative purposes only) as at (i) the Latest Practicable Date; (ii) immediately after issue and full conversion of Convertible Bonds into Conversion Shares; (iii) immediately after full conversion of Second Convertible Bonds into Second Conversion Shares; (iv) immediately after full conversion of (a) Convertible Bonds into Conversion Shares; and (b) Second Convertible Bonds into Second Conversion Shares; and (v) immediately after (a) exercise of the Preemptive Right; (b) full conversion of Convertible Bonds into Conversion Shares; and (c) full conversion of Second Convertible Bonds into Second Conversion Shares are set out below (assume there is no other change in the share capital of the Company):

	As at the Latest Practicable Date		Immediately after issue and full conversion of Convertible Bonds into Conversion Shares		Immediately after full conversion of Second Convertible Bonds into Second Conversion Shares		Immediately after full conversion of (a) Convertible Bonds into Conversion Shares; and (b) Second Convertible Bonds into Second Conversion Shares		Immediately after (a) exercise of the Preemptive Right; (b) full conversion of Convertible Bonds into Conversion Shares; and (c) full conversion of Second Convertible Bonds into Second Conversion Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Ng Man Sun (<i>Note 1</i>)	57,468,626	7.05	57,468,626	6.14	405,801,959	34.87	405,801,959	31.60	526,283,886	40.98
								(<i>Note 2</i>)		
Mr. Huang Wei Qiang	86,900,000	10.66	86,900,000	9.28	86,900,000	7.47	86,900,000	6.77	86,900,000	6.77
Ms. Cheng Wai Man	75,000,000	9.20	75,000,000	8.01	75,000,000	6.44	75,000,000	5.84	75,000,000	5.84
Mr. Wong Kam Wah	61,000,000	7.48	61,000,000	6.52	61,000,000	5.24	61,000,000	4.75	61,000,000	4.75
Ms. Lee	—	—	95,117,309	10.16	—	—	95,117,309	7.41	—	—
Mr. Wu	—	—	25,364,618	2.71	—	—	25,364,618	1.97	—	—
Public	535,161,413	65.61	535,161,413	57.18	535,161,413	45.98	535,161,413	41.66	535,161,413	41.66
Total	815,530,039	100.00	936,011,966	100.00	1,163,863,372	100.00	1,284,345,299	100.00	1,284,345,299	100.00

Notes:

1. Mr. Ng Man Sun is the shareholder, chairman, chief executive officer and executive Director of the Company.
2. The above shareholding effect of Mr. Ng is for illustration purpose only and does not indicate or imply any intention or decision on the part of Mr. Ng as to the timing or extent of conversion of the Second Convertible Bonds. The relevant parties will observe and comply with the terms and conditions of the Second Convertible Bonds, in particular, restriction provisions on conversion rights of the Second Convertible Bonds, in connection with the conversion of the Second Convertible Bonds if and when it takes place.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Mr. Ng is the Chairman, Chief Executive Officer of the Company and a Shareholder holding 57,468,626 Shares together with his associates, representing approximately 7.05% of the total issued share capital of the Company and hence a connected person of the Company.

As Mr. Ng is entitled to a preemptive right to buy the Convertible Bonds from the Bonds Holder(s) if they intend to sell, transfer, assign or dispose of the Convertible Bonds and requested to provide personal guarantee on the Company's payment obligations under the Deed, the Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Besides, as the Company shall issue and deliver the Second Convertible Bonds in favour of Mr. Ng or such other person or entity as Mr. Ng shall nominate, the Second Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that Mr. Ng is considered to have a material interest in the Preemptive Right and the Second Deed and Ms. Ng Wai Yee, being an executive Director and daughter of Mr. Ng, is an associate of Mr. Ng, therefore, both Mr. Ng and Ms. Ng Wai Yee are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Deed and the Second Deed and the respective transactions contemplated thereunder (including the issue of the Convertible Bonds and the Second Convertible Bonds under the Specific Mandate).

Mr. Ng and Ms. Ng Wai Yee have abstained from voting in the Board meeting in which the Deed and the Second Deed and the respective transactions contemplated thereunder were approved.

The Company has established an Independent Board Committee to advise the Independent Shareholders and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Deed and the transactions contemplated thereunder; and (ii) the Second Deed and the transactions contemplated thereunder.

SGM

The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

LETTER FROM THE BOARD

Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish and in such event, the proxy shall be deemed to be revoked.

CLOSURE OF THE REGISTER

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Wednesday, 13 June 2018 to Tuesday, 19 June 2018, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 June 2018.

RESPONSIBLE STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material 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.

RECOMMENDATION

Taking into account (i) the Group will turnaround from net current liabilities to net current assets upon completion of the Deed and the Second Deed; (ii) the Company will no longer face a highly uncertain and costly Legal Proceedings to recover the Promissory Notes; (iii) the terms and conditions of the Deed and the Second Deed are fair and reasonable; (iv) the Deed and the Second Deed is the most appropriate method to settle the Promissory Notes; (v) the issue of the Convertible Bonds and the Second Convertible Bonds provide an opportunity for the Company to convert part of the Promissory Notes into equity and hence release the liability burden of the Company; and (vi) the potential dilution effect of the Deed and the Second Deed to public Shareholders is acceptable, the Directors (excluding Mr. Ng and Ms. Ng Wai Yee) are of the view that (i) the Deed and the transactions contemplated thereunder; and (ii) the Second Deed and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Deed and the Second Deed.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser of this circular.

LETTER FROM THE BOARD

WARNING

The Shareholders and potential investors should be aware that the Deed, the Second Deed and the respective transactions contemplated thereunder are subject to the fulfilment of the conditions. Accordingly, completion of the Deed and/or the Second Deed may or may not proceed.

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Amax International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Preemptive Right and the Second Deed.



AMAX INTERNATIONAL HOLDINGS LIMITED

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

31 May 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS — (I) DEEDS OF SETTLEMENT
(II) PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular (the “**Circular**”) dated 31 May 2018 issued by the Company to its shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders on the Preemptive Right under the Deed and the Second Deed and the transactions contemplated thereunder. Goldin Financial Limited has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 50 to 97 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with their views and consider that the terms of the Deed, the Second Deed and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Deed, the Second Deed and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Yeung Pui Han, Regina
Independent
non-executive Director

Li Chi Fai
Independent
non-executive Director

Sie Nien Che, Celia
Independent
non-executive Director

LETTER FROM GOLDIN FINANCIAL

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Deed and the Second Deed and the respective transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular.



GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
22/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

31 May 2018

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTIONS
(I) DEEDS OF SETTLEMENT; AND
(II) PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the connected transactions contemplated under the Deed and the Second Deed, details of which are set out in the Deed Announcements and the letter from the Board (the “**Letter from the Board**”) in the circular of the Company dated 31 May 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Company and the Holders entered into (i) the Deed on 29 December 2017, pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the Promissory Notes concerned. In order to secure the payment obligations by the Company to the Holders, the Company shall deliver an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company’s payment obligations under the Deed in favour of the Holders. In addition, pursuant to the Deed, among others, a sum of HK\$30,000,000 will be satisfied by the issuance by the Company of the Convertible Bonds in favour of the Holders. Mr. Ng is entitled to a preemptive right to buy the Convertible Bonds from the Bond Holder(s) if they intend to sell, transfer, assign or dispose the Convertible Bonds.

On 1 March 2018 (after trading hours of the Stock Exchange), the Company entered into the Second Deed with Mr. Ng, pursuant to which the Company and Mr. Ng have agreed on a settlement proposal in respect of the Ng PN under the Promissory Notes, which will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng.

LETTER FROM GOLDIN FINANCIAL

Mr. Ng is the Chairman, Chief Executive Officer of the Company and a Shareholder holding 57,468,626 Shares together with his associates, representing approximately 7.05% of the total issued share capital of the Company and hence a connected person of the Company. As Mr. Ng is entitled to a preemptive right to buy the Convertible Bonds from the Bond Holder(s) if they intend to sell, transfer, assign or dispose of the Convertible Bonds and is requested to provide personal guarantee on the Company's payment obligations under the Deed, the Deed constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Besides, as the Company shall issue and deliver the Second Convertible Bonds in favour of Mr. Ng or such other person or entity as Mr. Ng shall nominate, the Second Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Conversion Shares and the Second Conversion Shares. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares and the Second Conversion Shares. The SGM will be convened for purposes of considering and, if thought fit, approving (i) the Deed and the transactions contemplated thereunder including the issue of the Convertible Bonds under the Specific Mandate; and (ii) the Second Deed and the transactions contemplated thereunder including the issue of the Second Convertible Bonds under the Specific Mandate. The Deed is not conditional to the Second Deed. Independent Shareholder may approve the Deed but not the Second Deed in this regard. If the Second Deed is not approved by the Independent Shareholders, the Company will not issue the Second Convertible Bonds to settle the Ng PN.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, being the independent non-executive Directors, has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the Deed and the Second Deed and the respective transactions contemplated thereunder.

We, Goldin Financial, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Deed and the Second Deed, and to make a recommendation as to, among others, whether the terms under the Deed (including the issue of the Convertible Bonds under the Specific Mandate) and the Second Deed (including the issue of the Second Convertible Bonds under the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the SGM.

Apart from the normal professional fees for our services to the Company in relation to the Deed and the Second Deed, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Within the two years prior to the Latest Practicable

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Date, we have not acted as financial adviser or independent financial adviser to the Company. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deed and the Second Deed and the respective transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Writ Announcements, the Deed Announcements, the Deed, the Second Deed, and the financial statements of the Group for the year ended 31 March 2017 (“**Annual Report 2017**”) and for the six months ended 30 September 2017 (“**Interim Report 2018**”), respectively. We have also reviewed certain information provided by the management of the Company relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the Deed and the Second Deed, and the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as at the Latest Practicable Date and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the management of the Company for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the SGM and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all information and documents which are available under present circumstances to enable us to reach an informed view regarding the Deed and the Second Deed to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

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This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their considerations of the Deed and the Second Deed, 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 purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Deed and the Second Deed, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The principal activities of the Group are running the VIP gaming tables related operation and slot machines related operation, operating the gaming business in Vanuatu and the VIP room in Cambodia and the development of innovative intellectual properties and technological solutions, mobile apps development and the provision of IT solutions to clients and mobile users. Set out in Table 1 below are certain financial information of the Group for the two years ended 31 March 2016 and 2017 and for each of the six months ended 30 September 2016 and 2017 as extracted from the Annual Report 2017 and the Interim Report 2018, respectively.

Table 1: Financial highlights of the Group

	For the six months ended 30 September		For the year ended 31 March	
	2017	2016	2017	2016
	(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>audited</i>)	(<i>audited</i>)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from investments in gaming and entertainment related business:				
Investment in VIP gaming tables related operation	1,800	1,800	3,600	3,600
Investment in slot machines related operation	600	600	1,200	1,200
Investment in gaming operation in Vanuatu	8,130	1,708	6,600	—
Commission income on provision of services to Guangxi Welfare Lottery Issue Centre	—	1	1	5,686
	<u>10,530</u>	<u>4,109</u>	<u>11,401</u>	<u>10,486</u>
Loss for the period/year attributable to owners of the Company	(13,797)	(15,193)	(983,869)	(43,136)

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	As at 30 September 2017 (<i>unaudited</i>) HK\$'000	As at 31 March 2017 (<i>audited</i>) HK\$'000	2016 (<i>audited</i>) HK\$'000
Non-current assets	10,910	13,819	8,328
Current assets	35,675	28,292	98,779
Current liabilities	204,113	206,088	262,145
Net current liabilities	(168,438)	(177,798)	(163,366)
Non-current liabilities	236	449	829
Net assets	332,441	332,862	1,207,932

For the year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded revenue of approximately HK\$11.40 million, representing an increase of approximately 8.67% as compared to approximately HK\$10.49 million as recorded in the previous year. Based on the Annual Report 2017, the increase in revenue was primarily due to the net effect of (i) the revenue of approximately HK\$6.60 million derived from the newly commenced gaming operation in Vanuatu which is more than offset the loss in revenue after the disposal of the Le Rainbow Worldwide Limited which had been providing lottery-related services to Guangxi Welfare Lottery Issue Centre; and (ii) the decrease in commission income of approximately HK\$5.68 million on provision of services to Guangxi Welfare Lottery Issue Centre.

The Group recorded loss attributable to owners of the Company of approximately HK\$983.87 million, which was widened by approximately 21.81 times as compared to the loss attributable to owners of the Company of approximately HK\$43.14 million in the previous year. With reference to the Annual Report 2017, we noted that the increase in loss was substantially attributed to the recognition of impairment losses of the interest in and the amount due from Greek Mythology (Macau) Entertainment Group Corporation Limited (“**Greek Mythology**”) of approximately HK\$901.2 million. With respect to the particularly significant impairment losses on the Group’s interest in Greek Mythology, we further noted that Greek Mythology has been refusing to provide the Company with valid financial information since 2012 and has been closed down since late December 2015. The Company has been trying but failed to contact the management of Greek Mythology to understand the current situation of Greek Mythology which led to uncertainty on the development of Greek Mythology. After seeking professional advice from the Macau lawyers and the Company’s auditors, the Company considers the recognition of impairment losses of the interest in Greek Mythology is appropriate to reflect the current situation of Greek Mythology.

As at 31 March 2017, the net current liabilities and net assets of the Group amounted to approximately HK\$177.80 million and approximately HK\$332.86 million, respectively.

For the six months ended 30 September 2017

For the six months ended 30 September 2017, the Group recorded revenue of approximately HK\$10.53 million, representing an increase of approximately 156.20% as compared to approximately HK\$4.11 million as recorded in the previous corresponding period. Based on the Interim Report 2018, the increase in revenue was primarily due to the net effect of (i) the increase in revenue derived from the gaming operation in Vanuatu; and (ii) the decrease in commission income on provision of services to Guangxi Welfare Lottery Issue Centre.

The Group recorded loss attributable to owners of the Company of approximately HK\$13.80 million for the six months ended 30 September 2017, which decreased by approximately 9.15% as compared to the loss attributable to owners of the Company of approximately HK\$15.19 million in the previous corresponding period. With reference to the Interim Report 2018, we noted that such improvement was mainly due to the increase in revenue which is more than offset the one-off gain on disposal of subsidiaries for the year ended 31 March 2017 and also the result of continuing cost streamlining efforts made by the Group.

As at 30 September 2017, the net current liabilities and net assets of the Group amounted to approximately HK\$168.44 million and approximately HK\$332.44 million, respectively.

2. Background information on the Promissory Notes and the entering of the Deed and the Second Deed

On 22 March 2006, the Company issued a tranche of 10-year zero-interest promissory notes with total face value of approximately HK\$1,454 million as part of the consideration for acquiring a further 30% equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited (the “**Acquisition**”) from Mr. Ng. The sale and purchase was completed on 28 March 2006 and the Company issued and delivered promissory notes PN#1–26 all dated 22 March 2006 totalling approximately HK\$1,304 million to Mr. Ng.

At the direction of Ms. Chen, at all material times an assistant of Mr. Ng, whom the Company mistakenly believed was authorized by Mr. Ng to give such direction, the Company issued PN#27 also dated 22 March 2006 for the remaining HK\$150 million to Ms. Lee.

At the direction of Ms. Chen, or other personnel instructed by Ms. Chen, whom the Company mistakenly believed was authorized by Mr. Ng to give such direction that Mr. Ng had assigned promissory notes (“PN#1–3”) in an aggregate principal amount

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of HK\$150 million in favour of Mr. Huang, the Company cancelled PN#1–3 and re-issued promissory notes (“PN#28–30”) for the aggregate sum of HK\$150 million all dated 1 April 2006 to Mr. Huang.

On or about 18 September 2006, PN#28–30 for the sum of HK\$150 million was cancelled by the Company and reissued as to (i) PN#31 for the sum of HK\$110 million to Mr. Francisco Xavier Albino; and (ii) PN#32 for the sum of HK\$40 million to Mr. Wu, respectively under the direction of Ms. Chen that Mr. Huang has assigned PN#28–30 to the above mentioned persons respectively.

As at the Latest Practicable Date, (i) PN#1–3 (subsequently cancelled and replaced by PN#28–30) were cancelled and replaced by PN#31 and PN#32 respectively; and (ii) PN#4–26 in the aggregate amount of HK\$1,154,722,107 and PN#31 in the amount of HK\$110,000,000 were settled, leaving PN#27 and PN#32 in the aggregate amount of HK\$190,000,000 remain due, unsettled and in dispute.

The Promissory Notes were unsecured, non-interest bearing and repayable in 10 years from the date of issue. To the best knowledge, information and belief of the Company, both Ms. Lee and Mr. Wu have no prior or existing relationship with the Company or its connected persons.

On 12 September 2012, by a special general meeting of the Company duly convened at the request of Mr. Ng, the shareholder of the Company at the time of the Acquisition, all the then existing directors were removed from the board and Mr. Ng and his nominees were appointed to be the Board of Directors of the Company. Further, Mr. Ng was then appointed Chairman and Chief Executive Officer of the Company. Prior to this, Mr. Ng has no involvement in any of the Company’s operations.

On or about 20 November 2012, the Company received a letter from Messrs. Yam & Company (now known as Messrs. Zhong Lun Law Firm), solicitors representing Mr. Wu, requesting, *inter alia*, the Company to deliver to Mr. Wu the audit confirmation in respect of PN#32. It was only until then that came to the attention of Mr. Ng and the Company that PN#27 was issued to Ms. Lee and PN#32 was issued to Mr. Wu by mistakes.

Upon subsequent enquires, it has transpired that: (i) Mr. Ng has not authorized the Company to issue PN#27 and PN#32; and (ii) Mr. Ng has not received any consideration for the purported transfer of PN#27 to Ms. Lee, PN#28–30 to Mr. Huang and PN#32 to Mr. Wu. Since Mr. Ng has become aware of the issue of PN#27 and PN#32, he, as the beneficial owner, instituted legal proceedings in 2015 against Ms. Lee & Mr. Wu for transfer back of PN#27 & PN#32 and informed the Company of the same in October 2015. Mr. Ng has, after seeking legal advice, intended to sue (i) the Company as issuer of PN#27 and PN#32 (for mistaken issue of the said promissory notes to Ms. Lee and Mr. Wu); and (ii) Ms. Lee and Mr. Wu being the Holders for failure of consideration.

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In January 2016, the Company, as the issuer, instructed Messrs. Robert C.C. Ip & Co., Solicitors subsequently, Messrs. Cheng, Yeung & Co. and Mr. Benjamin Chain of Counsel to advise on the issues. The Counsel advised that the proper plaintiff should be the Company (since it was the issuer) to sue for return and cancellation of PN#27 & PN#32 issued by mistakes. The Counsel further advised the Company seeking clarification from the Company's former management prior to issue of writs. The Company's lawyers then contacted and obtained confirmation from Mr. Chan, the then executive director and vice-chairman of the Company, that the Company issued PN#27, PN#28-30 and PN#32 upon the instructions of Ms. Chen. Mr. Chan mistakenly believed that these were Mr. Ng's instructions. After the Company obtaining legal advice from the Counsel and further clarifications from Mr. Chan and considering that there is no conflict of interest between Mr. Ng and the Company (it being established that the Company issued PN#27 and PN#32 by mistake and that Mr. Ng confirmed that he will not make any claim against the Company for promissory notes issued under mistake), the Company believed that the correct party to PN#27 and PN#32 should be Mr. Ng and it was decided that the appropriate course of action is for the Company to take legal action against the Holders. Accordingly, based on legal advice, writs were issued by the Company as issuer against Ms. Lee and Mr. Wu on 18 March 2016 and 15 September 2016 respectively, for the followings (the "**Legal Proceedings**"):

- (i) declarations that the Promissory Notes issued by the Company respectively to Ms. Lee was issued by mistake and without consideration and to Mr. Wu is null and void;
- (ii) orders that the Holders to deliver the Promissory Notes to the Company;
- (iii) an injunction to restrain the Holders whether by themselves, their servants or agents or otherwise howsoever from negotiating or indorsing the Promissory Notes;
- (iv) further and other relief; and
- (v) costs.

Since the issuance of the writs of summons, the Company has been negotiating with the Holders for a settlement proposal in respect of the Promissory Notes concerned in the total outstanding amount of HK\$190,000,000. On 29 December 2017, the Company entered into the Deed with the Holders, pursuant to which the parties agreed on a settlement proposal in respect of part of the Promissory Notes in the amount of HK\$85,500,000 as set out under the terms and conditions of the Deed, while the remaining outstanding amount of HK\$104,500,000 will be due and owing by the Company to Mr. Ng by the issuance of the Ng PN. On 1 March 2018, the Company entered into the Second Deed with Mr. Ng, pursuant to which the Ng PN will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng. On 8 May 2018, the Company and the Holders further agreed to extend the time to obtain the Approvals to 30 June 2018.

3. Reasons for and benefits of entering into the Deed and the Second Deed

Relieve immediate repayment obligation of the Group

As noted from the Interim Report 2018, the current assets of the Group amounted to approximately HK\$35.68 million as at 30 September 2017 which comprised other receivables of approximately HK\$34.94 million and cash and cash equivalents of HK\$0.73 million, representing only a small portion of around 2.05% of the current assets. The current liabilities of the Group amounted to approximately HK\$204.11 million as at 30 September 2017. Based on the Interim Report 2018, we noted that the amount of other payables under the current liabilities included payables of the Promissory Notes in the aggregate principal amount of HK\$190,000,000 which were already due on 22 March 2016 and 18 September 2016 respectively, representing a significant portion of around 93.09% of the current liabilities of the Group as at 30 September 2017. As a result, as the Group's current liabilities exceeded its current assets, the Group recorded net current liabilities of approximately HK\$168.44 million as at 30 September 2017. The gearing ratio of the Group, calculated as a ratio of total debt to shareholders' equity, maintained at approximately 61% as at 30 September 2017. On the other hand, we have reviewed the working capital requirements prepared by the Group in March 2018 and noted that the Group is expected to require general working capital of around HK\$47,000,000 for its business operation for the next 12 months.

In light of the current financial position of the Group, in particular (i) the net current liabilities position of the Group as at 30 September 2017; (ii) the relatively low level of cash and cash equivalents of the Group; and (iii) the significant portion of the Group's current liabilities as represented by the liabilities under the Promissory Notes of around 93.09% as at 30 September 2017, and the expected general working capital requirement of the Group, it is uncertain as to the sufficiency of the Group's internal resources for the repayment of its outstanding liabilities, being substantially the Promissory Notes which were already due for repayment in 2016. Accordingly, the entering into of the Deed and the Second Deed would (i) avoid immediate cash outlay of the Group by delaying payment of a substantial portion of the liabilities under the Promissory Notes through the issuance of the Settlement PN, the Convertible Bonds and the Second Convertible Bonds; and (ii) effectively settle the prolonged lengthy disputes arising from the Promissory Notes since 2016 hence cease to incur further legal expenses arising therefrom which may further deteriorate the financial position of the Group.

Settlement of the Promissory Notes

The Promissory Notes in the aggregate principal amount of HK\$190,000,000 which were under litigation had matured on 22 March 2016 and 18 September 2016, respectively. Given that the results of the litigation arising from the Promissory Notes will not affect the Group's liabilities under the Promissory Notes, the Group shall anyhow settle the outstanding liabilities under the

Promissory Notes irrespective of the disputes between Mr. Ng and the Holders on the title of the Promissory Notes. With reference to the breakdown provided by management of the Company, as at the date of the Second Deed, the legal expenses associated with the Promissory Notes amounted to approximately HK\$1 million.

Given that Mr. Ng is a connected person of the Company, we have seek further details from the Company for entering into the Deed and we understand that the Company considers that there is no conflict of interest between Mr. Ng and the Company since PN#27 and PN#32 were issued by the Company by mistake and that Mr. Ng confirmed that he will not make any claim against the Company for the Promissory Notes issued under such mistake. Given that (i) the issuer of the Promissory Notes is the Company; (ii) the situation which led to the Company to issue the Promissory Notes to the Holders was due to mistake of the then management of the Company by not further verifying with Mr. Ng the instructions from Ms. Chen; (iii) the professional legal advice sought from the Counsel suggested that the Company is liable to recover the Promissory Notes on behalf of Mr. Ng and to bear the legal costs on the part incurred by the Company and Mr. Ng should bear the legal costs on the part incurred by him; and (iv) the Company is not aware of any conflict of interest with Mr. Ng in respect of the Deed, we are of the view that the Company's entering into of the Deed and the Second Deed (including the legal costs incurred and to be incurred thereof) for the purpose of settlement of the Promissory Notes are fair and reasonable.

Taking into consideration the primary reasons for the Company to enter into the Deed and the Second Deed and that (i) the Company shall, among others, make payment to the Holders on the maturity date on demand pursuant to the Promissory Notes and such payment had been delayed since their respective maturity dates in 2016; and (ii) the litigation arising from the Promissory Notes had cost the Company considerable effort and resources since 2016, we consider that the entering into of the Deed and the Second Deed which would fully settle the outstanding amount of the Promissory Notes as well as the ongoing disputes between the Company and the Holders in relation thereto such that the Company will no longer face a highly uncertain and costly Legal Proceedings to recover the Promissory Notes, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Alternative funding methods considered

As the Legal Proceedings had been initiated in 2016 before the expiry of the Promissory Notes and were still in progress, the status of the Promissory Notes were uncertain and the Company was advised by its legal advisor that it was not appropriate for the Company to settle the Promissory Notes when they fell due. Nonetheless, upon enquiry with the management of the Company, we understand that the Company has explored various financing alternatives with banks in respect of the settlement of the Promissory Notes. However, given (i) the consecutive loss-making performance of the Group (as detailed in the above section headed "1. Background information of the Group"); and (ii) the

consecutive net current liability position maintained by the Group, the Group is unable to obtain borrowings from banks. In May 2015, the Company obtained an unsecured loan facility (the “**Loan Facility**”) for an amount of up to HK\$250,000,000 with an independent financial institution for a term of 24 months. Upon expiry, the Loan Facility has been renewed for another term of 24 months. The Loan Facility carries interest at 24% per annum upon drawdown. Since the date of the Loan Facility up to the Latest Practicable Date, the Loan Facility has not been utilized. Although the Company has obtained the Loan Facility, the significant interest of the Loan Facility of 24% per annum upon utilization thereof, would further deteriorate the financial position of the Group and the Company would only consider to utilize the Loan Facility as the last resort. We further understand that in December 2015, the Company has approached two securities firms for any possibility to act as underwriters for open offer exercises for the purpose of satisfying the Promissory Notes but the Company received negative feedbacks from these securities firms for conducting any of such fund raising exercises for the Group. Besides, it would be costly for the Company to conduct rights issue or open offer as compared to the issue of new Shares and/or promissory notes and/or convertible securities. On the other hand, the Company had also considered utilizing the existing general mandate of 77,906,007 Shares. However, given the recent weak trading performance of the Shares, the possible proceeds from the utilization of the existing general mandate would be insufficient to settle the outstanding amount of the Promissory Notes. Further, as the Promissory Notes were due in 2016, we noted that the then general mandate would allow the Company to allot and issue a maximum of 55,746,557 new Shares, which was approved at the annual general meeting of the Company held on 28 August 2015 (details of which are set out in the circular of the Company dated 28 July 2015). During the period from 28 August 2015 to 31 December 2016, we noted that the maximum closing Share price was HK\$0.878 per Share on 18 September 2016 and 25 September 2016. Based on the then general mandate of 55,746,557 Shares, the gross proceeds from the full utilization thereof would be around HK\$48,945,477, which was far below the principal amount of the Promissory Notes of HK\$190,000,000.

In view of the various financing alternatives considered by the Company for settling the Promissory Notes prior to maturity, in particular the negative feedback received by the Company in respect of possible equity fund raising and the significantly high interest rate under the Loan Facility, and considering that (i) the issue of Convertible Bonds and the Second Convertible Bonds would delay the issue of new Shares by the Company to the Holders and Mr. Ng respectively should they wish to convert thereof; and (ii) the potential dilution effect from the issuance of the Convertible Bonds and the Second Convertible Bonds is not immediate as compared to issuance of new Shares under subscription and moreover, the restriction provisions thereof provide that no conversion shall take place in the event that, among others, such conversion would result in an increase of shareholding in the Company which the Bond Holder(s) or the Second Bond Holder(s) would be obliged to make a general offer under the Takeovers Code, we concur with the Company’s view that the entering into of the Deed and the Second

Deed, including the issuance of the Convertible Bonds and the Second Convertible Bonds, is the most appropriate means for the settlement of the Promissory Notes under present circumstances.

4. Principal terms of the Deed and the Second Deed

The Deed

Pursuant to the Deed, subject to satisfaction of the conditions, and at First Completion, the disputes between the Company and the Holders shall be fully settled in the following manner:

- (i) On the First Payment Date:
 - (a) Ms. Lee shall deliver PN#27 to the Company for cancellation together with a properly executed instrument of transfer and assignment of the sum of HK\$82,500,000 under PN#27 in favour of Mr. Ng or such other person or entity as the Company shall nominate; and
 - (b) Mr. Wu shall deliver PN#32 to the Company for cancellation together with a properly executed instrument of transfer and assignment of the sum of HK\$22,000,000 under PN#32 in favour of Mr. Ng or such other person or entity as the Company shall nominate. Mr. Ng has confirmed with the Company in writing that he will not appoint any nominee on behalf of him as transferee of the Ng PN.

Upon the cancellation of the Promissory Notes, the assignment of the aggregate sum of HK\$104,500,000 to Mr. Ng from the Holders will be settled by the Company by issuing the Ng PN to Mr. Ng. Mr. Ng has confirmed with the Company in writing that he will not appoint any nominee on behalf of him as transferee of the Ng PN.

- (ii) Subject to (i) above, in consideration of the cancellation of the Promissory Notes in the name of the Holders respectively as aforesaid and the provisions herein, the Company agrees to pay the total sum of HK\$85,500,000 to the Holders as to (i) HK\$67,502,250 to Ms. Lee; and (ii) HK\$17,997,750 to Mr. Wu in the following manner:
 - (a) on the First Payment Date, the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders as to (i) HK\$4,342,250 to Ms. Lee; and (ii) HK\$1,157,750 to Mr. Wu;
 - (b) on the First Payment Date, the sum of HK\$20,000,000 by the issuance of zero-coupon promissory notes in favour of the Holders as to (i) HK\$15,790,000 to Ms. Lee; and (ii) HK\$4,210,000 to Mr. Wu and with a maturity date falling on the Second Payment Date

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provided always that such promissory note (whether wholly or partly) shall not be sold, transferred, assigned or disposed of to any third party without the prior written consent of the Company;

- (c) on the First Payment Date, the sum of HK\$30,000,000 by the issuance of zero-coupon promissory notes in favour of the Holders as to (i) HK\$23,685,000 to Ms. Lee; and (ii) HK\$6,315,000 to Mr. Wu and with a maturity date falling on the Third Payment Date provided always that such promissory note (whether wholly or partly) shall not be sold, transferred, assigned or disposed of to any third party without the prior consent of the Company; and
- (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of the Convertible Bonds as to (i) HK\$23,685,000 to Ms. Lee; and (ii) HK\$6,315,000 to Mr. Wu on the First Payment Date.
- (iii) If the Company defaults in payment of any one of the payments on its due date mentioned in (ii) above, all the payments thereby that has remained unpaid shall become due and payable immediately. In addition thereto, interest shall be charged on overdue payments and only on the part of the overdue payments, from the date of overdue at an interest rate of 10% per annum until the actual payment by the Company.
- (iv) In order to secure the payment obligations by the Company to the Holders, the Company shall deliver an executed personal guarantee given by Mr. Ng to guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders.

Mr. Ng, as the Chairman and Chief Executive Officer of the Company and together with senior management of the Company and the Company's legal advisor, involved in the negotiation on the terms and conditions of the Deed with the Holders. The settlement arrangement under the Deed and all transactions contemplated thereunder, in particular, the issue and delivery of the Ng PN in the amount of HK\$104,500,000 to Mr. Ng by the Company to repay the amount of HK\$104,500,000 assigned to Mr. Ng under the Deed upon First Completion, was the result of negotiations among the parties involved in the Deed and Mr. Ng has agreed on the terms of the Deed.

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The settlement amount under the Deed shall be initially satisfied from the Company's internal resources. Pursuant to the personal guarantee to be given by Mr. Ng upon First Completion, Mr. Ng shall guarantee the payment of the Company's payment obligations under the Deed in favour of the Holders. As such, if the Company cannot fulfill any part of its payment obligations as scheduled under the Deed, Mr. Ng shall guarantee such shortfall and repay such shortfall to the Holders on behalf of the Company as to a maximum amount of HK\$85,500,000. Given that Mr. Ng shall provide a personal guarantee under the Deed to a maximum amount of HK\$85,500,000 if the Company fails to repay such amount as scheduled under the Deed, we consider such guarantee serves as an additional protection for the Company in connection with its repayment obligation under the Deed and is fair and reasonable.

As stated in the Letter from the Board, assuming (1) the Deed will be materialised and the Convertible Bonds will be fully converted into equity; and (2) the Second Deed will be materialised and the Ng PN will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng in accordance with the terms and conditions of the Second Deed, the Company is obliged to repay (i) HK\$5,500,000 on the First Payment Date which is estimated to be on 29 June 2018; (ii) HK\$20,000,000 on the Second Payment Date which is estimated to be on 29 March 2019; and (iii) HK\$30,000,000 on the Third Payment Date which is estimated to be on 27 December 2019. Having considered the Group's current internal resources available together with the net proceeds of HK\$29,800,000 to be received from the Disposal, the Company is of the view that it has sufficient internal resources to meet the outstanding sum in the amount of HK\$25,500,000 which will fall due within the next twelve months from the Latest Practicable Date while may not have sufficient internal resources to satisfy the remaining amount of HK\$30,000,000 which is estimated to be due on 27 December 2019. Therefore, the Company will also explore any possibility on equity fund raising to satisfy the settlement amount under the Deed when opportunity arises. Notwithstanding the likelihood that the Company may not be able to conduct any fund raising activity promptly to meet any of its outstanding payment obligations under the Deed when they fall due, any shortfall will be guaranteed by Mr. Ng's personal guarantee pursuant to the terms of the Deed. As at the Latest Practicable Date, the Company has not entered into any discussion, negotiation or agreement with any party in respect of any possible equity fund raising activity.

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The Ng PN will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng in accordance with the terms and conditions of the Second Deed. In the event that the Company fails to obtain Independent Shareholders' approval on the Second Deed, the Second Convertible Bonds will not be issued to Mr. Ng for settlement of the Ng PN and the Ng PN will become due on First Completion upon issuance. As noted from the current internal resources of the Group as at the Latest Practicable Date, the Company may not have sufficient internal resources to settle the Ng PN. Considering that Mr. Ng has confirmed to the Company to further negotiate with the Company on other settlement methods of the Ng PN including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval, we are of the view that the arrangement under the Deed is fair and reasonable.

On the other hand, in the event that the Company fails to obtain the Independent Shareholders' approval on the Second Deed, all the terms and obligations of Mr. Ng under the Deed, including (i) the Pre-emptive Right; (ii) the cancellation of PN#27 and PN#32 in the aggregate amount of HK\$190,000,000 and partially replaced by the issue of the Ng PN in the principal amount of HK\$104,500,000 to Mr. Ng; and (iii) the personal guarantee given by Mr. Ng to guarantee all payment of the Company's payment obligations under the Deed in favour of the Holders, will remain effective, in full force and binding on Mr. Ng. In this connection, taking into account that the Deed shall remain in full force and binding on Mr. Ng in the event that the Independent Shareholders approved the Deed but not the Second Deed, we consider that the entering into of the Deed is fair and reasonable and in the interest of the Company and its Shareholders.

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Set out below is a summary of the principal terms of the Convertible Bonds.

Issuer:	the Company
Principal amount:	HK\$30,000,000
Issue price:	100% of the principal amount of the Convertible Bonds
Conversion rights:	<p>holder(s) of the Convertible Bonds (the “Bonds Holder(s)”) shall have the right to convert all the Convertible Bonds into Conversion Shares at the maturity date. In case the Bonds Holder(s) do not exercise their right of conversion under the Convertible Bonds at the maturity date, the Company shall pay the Bonds Holder(s) the amount of HK\$30,000,000 accordingly</p> <p>Conversion right of the Convertible Bonds shall not be exercised by the Bonds Holder(s) if:</p> <ol style="list-style-type: none">the Bonds Holder(s) and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Bonds Holder(s) would be obliged to make a general offer under the Takeovers Code;the Company will be unable to meet the public float requirements under the Listing Rules; orthe Bonds Holder(s) or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.
Conversion Price:	HK\$0.249 per Conversion Share, subject to adjustments by the adjustment provisions summarised below
Number of Conversion Shares issuable:	120,481,927 conversion shares to be issued under the Specific Mandate based on the initial Conversion Price

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Maturity date:	the last Business Day of the period of nine calendar months after the Third Payment Date which is estimated to be on 29 September 2020 assuming the First Payment Date on 29 June 2018
Interest:	the Convertible Bonds will be interest free
Transferability:	the Convertible Bonds will be freely transferrable. In case the Bonds Holder(s) intend to sell, transfer, assign or dispose of the Convertible Bonds or any part thereof to a third party, the Bonds Holder(s) shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng
Voting rights:	the holders of the Convertible Bonds are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Convertible Bonds
Listing:	no listing will be sought for the Convertible Bonds on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares
Ranking:	the Conversion Shares shall rank <i>pari passu</i> with the Shares in issue on the conversion date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the conversion date
Early redemption:	the Company is not entitled to redeem all or part of the Convertible Bonds before the maturity date

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Anti-dilution:

The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company in the following events:

(a) Consolidation or subdivision:

In the event of changes in the nominal value of shares as a result of consolidation or subdivision of shares, the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the change by the following fraction:

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

where:

A is the nominal value per share immediately after the change; and

B is the nominal value per share immediately before the change.

Such adjustments shall become effective after market close on the Business Day preceding the effective date of the change.

(b) Capitalisation of earnings or reserves:

- (i) In the event that a listed company issues any share credited as fully paid to the shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve) (excluding any share issued for the purpose of substituting all or any part of the dividend which would otherwise be received in cash (“**Relevant Cash Dividend**”) by shareholders (“**Scrip Dividend**”)), the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the issue by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares in issue immediately after the issue.

- (ii) In the event that the shares are issued by way of Scrip Dividend, and the then market value of share exceeds 110% of Relevant Cash Dividend and such issue is not classified as capital distribution, the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the issue of shares by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares issued by way of Scrip Dividend, multiplying the following fraction:

1. the numerator is the amount of the Relevant Cash Dividend entitled to each share; and
2. the denominator is the market value of each share issued in respect of each existing share in lieu of the Relevant Cash Dividend; and

C is the aggregate nominal value of shares issued by way of Scrip Dividend.

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

In paragraph (b), “market value”, for the purpose of shares, means the price or value of each share as specified in or calculated based on the terms provided in the announcement, notice or other documents issued to its shareholders for the purpose of determining the nominal value of shares issued by way of Relevant Cash Dividend by a listed company.

(c) Capital distribution:

In the event of any capital distribution paid or made by a listed company (the Conversion Price should be adjusted according to the sub-paragraph (b) above, or with the exception that no adjustment is required after referring to the sub-paragraph (b) above), the Conversion Price should be adjusted by multiplying the Conversion Price in force immediately before the capital distribution by the following fraction:

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

where:

A is the current market price before the date on which the capital distribution is publicly announced, or (in the absence of relevant announcements) the last trading day immediately before the capital distribution; and

B is the fair market value of the portion of the capital distribution attributable to each share on the date of such announcement on capital distribution or (if applicable) the last trading day immediately before the capital distribution, which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the capital distribution.

- (d) Issuance of shares or share options to subscribe for shares to shareholders:

In the event that a listed company issues shares to all or substantially all shareholders (who have the same rights as a result of their holding of shares), or issues or grants any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of shares is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement;

B is the number of shares which the amount receivable for the shares to be issued, or the amount receivable for the share option, stock warrant or other rights, plus the amount receivable for subscription for or purchase of the shares involved would purchase at such current market price per share; and

C is the total number of shares to be issued or (if applicable) relevant shares to be granted upon grant of such rights.

Such adjustment shall become effective on the date of issue of shares or issue or grant of share option, stock warrant or other rights (as the case may be).

(e) Issue of other securities to shareholders:

In the event that a listed company issues any security or grants any share option, stock warrant or other rights to subscribe for or purchase any security to all or substantially all shareholders (who have the same rights as a result of their holding of shares) (excluding the issue or grant of shares or share option, stock warrant or other rights set out in subparagraph (d) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the current market price of each share on the last trading day immediately before the announcement of the issue or grant, or (in the absence of such announcement) the current market price prior to the record date immediately before the issue or grant; and

B is the fair market value of rights entitled to each shares on the date of announcement (or in the absence of such announcement, the record date of such issue or grant), which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the record date of the issue or grant of rights.

- (f) Issues at a price lower than current market price:

In the event that a listed company issued shares by way of cash only (with the exception of the approaches as set out in the sub-paragraph (d) above) (other than shares issued upon the exercise of conversion rights or the exercise of any other right to convert (or exchange or subscribe for) shares), or issues or grants (with the exception of the approaches as set out in the sub-paragraph (d) above) any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of each share is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B is the number of shares which the aggregate consideration receivable for the additional shares to be issued upon the issue or grant would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon the issue or grant.

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

- (g) Other issues at a price lower than current market price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (g), the issue wholly for cash by a listed company or any subsidiary or (pursuant to the instruction or requirement of a listed company or any subsidiary or any of its arrangement entered into with a listed company) any other person (other than those set out in sub-paragraphs (d), (e) and (f) above) of any securities (including the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange of or subscription for or purchase of, shares (or grant any of such rights of any existing securities so issued) at a consideration per share which is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue (or grant) by the following fraction:

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

where:

A is the number of shares in issue immediately before such issue or grant;

B is the number of shares which the aggregate consideration receivable for the shares to be issued upon conversion, subscription, exchange, or upon exercise of the such rights attached to the securities would purchase at such current market price per share; and

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C is the maximum number of shares to be issued upon exercise of the rights of conversion, exchange, or subscription attached to the securities.

Such adjustment shall become effective on the date of issue or grant of the securities.

(h) Modification of rights of conversion, etc.:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription (including those made in accordance with the terms applicable to such securities) attaching to any such securities mentioned in subparagraph (g) above so that the consideration per share receivable by a listed company is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

A is the number of shares in issue immediately before such modification;

B is the number of shares which the aggregate consideration receivable for the shares to be issued by the Company upon exercise of the modified rights of conversion, exchange, subscription or purchase attached to the securities would purchase at such current market price per share (or, if lower, the existing conversion, exchange, subscription or purchase price); and

C is the maximum number of shares to be issued upon exercise of the modified rights of conversion, exchange, subscription or purchase.

Such adjustment shall become effective on the effective date of such modification.

Transferability

Pursuant to the terms of the Convertible Bonds, Mr. Ng is entitled to a preemptive right to buy the Convertible Bonds from the Bond Holder(s) if they intend to sell, transfer, assign or dispose the Convertible Bonds or any part thereof.

Despite the fact that Mr. Ng is a connected person of the Company, taking into consideration that (i) the Company was not aware of any issue of conflicting interest between Mr. Ng and the Company in the course of negotiation for the Deed; (ii) the Preemptive Right was requested by the Holders as one of the conditions to enter into the Deed; (iii) Mr. Ng has provided the personal guarantee as requested by the Holders which serves as an additional security of the payment obligation by the Company to the Holders under the Deed; (iv) the Preemptive Right (if exercised) would provide an opportunity for the Company to further negotiate favourable repayment terms with Mr. Ng, given that the Company has obtained confirmation from Mr. Ng that in the event Mr. Ng exercised the Preemptive Right and that any part of the Convertible Bonds remain outstanding when they fall due which is currently estimated to be on 29 September 2020, he will further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval; and (v) the reasons for and benefits of entering into the Deed as more particularly described in the above section headed "3. Reasons for and benefits of entering into the Deed and the Second Deed", we are of the view that the Preemptive Right, being part and parcel of the Deed, is fair and reasonable.

The Conversion Price per Conversion Share was arrived at after arm's length negotiation between the Company and the Holders with reference to, among other things, (i) the audited consolidated net asset value per share of the Company as at 31 March 2017 (being approximately HK\$0.408); and (ii) the weak performance of trading price of the Shares that the closing price of the Shares as at the execution date of the Deed being HK\$0.25 per Share represents a drop of over 62% when comparing to that of the 52 week high being HK\$0.66 per Share.

The Conversion Price of HK\$0.249 per Conversion Share represents:

- (i) a discount of approximately 0.40% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange as at the date of the Deed ("**CB Discount I**");
- (ii) a premium of approximately 0.40% to the average closing price of approximately HK\$0.248 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the preceding date of the Deed ("**CB Premium II**");

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- (iii) a discount of approximately 2.35% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a discount of approximately 38.97% to the unaudited net asset value of approximately HK\$0.408 per Share as at 30 September 2017 (based on the unaudited consolidated net assets of the Group attributable to its Shareholders of approximately HK\$332.44 million as at 30 September 2017 as shown in the Company's interim report for the six months ended 30 September 2017 and 815,530,039 Shares in issue as at the Latest Practicable Date).

The Second Deed

Pursuant to the Second Deed, the Ng PN will be settled by the issuance of the Second Convertible Bonds by the Company to Mr. Ng. Set out below is a summary of the principal terms of the Second Convertible Bonds.

Issuer:	the Company
Principal amount:	HK\$104,500,000
Maturity date:	the last Business Day of the period of twelve calendar months from the date of issue of the Second Convertible Bonds which is estimated to be on 29 June 2019
Interest:	the Second Convertible Bonds will be interest free
Second Conversion Price:	HK\$0.30 per Second Conversion Share, subject to adjustments by the adjustment provisions summarised below
Second Conversion Shares:	a maximum of 348,333,333 Second Conversion Shares to be issued under the Specific Mandate based on the initial Second Conversion Price
Conversion period:	the period commencing on the date of issue of the Second Convertible Bonds and expiring on the maturity date (the “ Conversion Period ”)
Conversion rights:	holder(s) of the Second Convertible Bonds (the “ Second Bonds Holder(s) ”) will have the right to convert the Second Convertible Bonds in whole or in part (in an integral multiple of HK\$500,000) of the outstanding principal amount of the Second Convertible Bonds on any Business Day during the Conversion Period

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Conversion right of the Second Convertible Bonds shall not be exercised by the Second Bonds Holder(s) if:

- i. the Second Bonds Holder(s) and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Second Bonds Holder(s) would be obliged to make a general offer under the Takeovers Code;
- ii. the Company will be unable to meet the public float requirements under the Listing Rules; or
- iii. the Second Bonds Holder(s) or the Company will as a result of the issue of the relevant Second Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

Transferability:

the Second Convertible Bonds will be freely transferable to third party and any transfer of the Second Convertible Bonds may be effected in denominations of HK\$500,000. Unless fully comply with relevant requirements under the Listing Rules, the Second Convertible Bonds cannot be transferred to a connected person (as defined in the Listing Rules) if necessary

Voting rights:

Second Bonds Holder(s) are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Second Convertible Bonds

Listing:

no listing will be sought for the Second Convertible Bonds on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Second Conversion Shares

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Ranking: the Second Conversion Shares shall rank *pari passu* with the Shares in issue on the conversion date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the conversion date

Early redemption: the Company is not entitled to redeem all or part of the Second Convertible Bonds before the maturity date

Anti-dilution: The Second Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company in the following events:

(a) Consolidation or subdivision:

In the event of changes in the nominal value of shares as a result of consolidation or subdivision of shares, the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the change by the following fraction:

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

where:

A is the nominal value per share immediately after the change; and

B is the nominal value per share immediately before the change.

Such adjustments shall become effective after market close on the Business Day preceding the effective date of the change.

(b) Capitalisation of earnings or reserves:

- (i) In the event that a listed company issues any share credited as fully paid to the shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve) (excluding any share issued for the purpose of substituting all or any part of the dividend which would otherwise be received in cash (“**Relevant Cash Dividend**”) by shareholders (“**Scrip Dividend**”)), the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the issue by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares in issue immediately after the issue.

- (ii) In the event that the shares are issued by way of Scrip Dividend, and the then market value of share exceeds 110% of Relevant Cash Dividend and such issue is not classified as capital distribution, the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the issue of shares by the following fraction:

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

where:

A is the aggregate nominal value of shares in issue immediately before the issue; and

B is the aggregate nominal value of shares issued by way of Scrip Dividend, multiplying the following fraction:

1. the numerator is the amount of the Relevant Cash Dividend entitled to each share; and
2. the denominator is the market value of each share issued in respect of each existing share in lieu of the Relevant Cash Dividend; and

C is the aggregate nominal value of shares issued by way of Scrip Dividend.

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

In paragraph (b), “market value”, for the purpose of shares, means the price or value of each share as specified in or calculated based on the terms provided in the announcement, notice or other documents issued to its shareholders for the purpose of determining the nominal value of shares issued by way of Relevant Cash Dividend by a listed company.

(c) Capital distribution:

In the event of any capital distribution paid or made by a listed company (the Second Conversion Price should be adjusted according to the sub-paragraph (b) above, or with the exception that no adjustment is required after referring to the sub-paragraph (b) above), the Second Conversion Price should be adjusted by multiplying the Second Conversion Price in force immediately before the capital distribution by the following fraction:

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

where:

A is the current market price before the date on which the capital distribution is publicly announced, or (in the absence of relevant announcements) the last trading day immediately before the capital distribution; and

B is the fair market value of the portion of the capital distribution attributable to each share on the date of such announcement on capital distribution or (if applicable) the last trading day immediately before the capital distribution, which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the capital distribution.

- (d) Issuance of shares or share options to subscribe for shares to shareholders:

In the event that a listed company issues shares to all or substantially all shareholders (who have the same rights as a result of their holding of shares), or issues or grants any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of shares is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement;

B is the number of shares which the amount receivable for the shares to be issued, or the amount receivable for the share option, stock warrant or other rights, plus the amount receivable for subscription for or purchase of the shares involved would purchase at such current market price per share; and

C is the total number of shares to be issued or (if applicable) relevant shares to be granted upon grant of such rights.

Such adjustment shall become effective on the date of issue of shares or issue or grant of share option, stock warrant or other rights (as the case may be).

(e) Issue of other securities to shareholders:

In the event that a listed company issues any security or grants any share option, stock warrant or other rights to subscribe for or purchase any security to all or substantially all shareholders (who have the same rights as a result of their holding of shares) (excluding the issue or grant of shares or share option, stock warrant or other rights set out in subparagraph (d) above), the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the current market price of each share on the last trading day immediately before the announcement of the issue or grant, or (in the absence of such announcement) the current market price prior to the record date immediately before the issue or grant; and

B is the fair market value of rights entitled to each shares on the date of announcement (or in the absence of such announcement, the record date of such issue or grant), which shall be determined in good faith by an authorised financial advisor.

Such adjustment shall become effective on the date immediately following the record date of the issue or grant of rights.

- (f) Issues at a price lower than current market price:

In the event that a listed company issued shares by way of cash only (with the exception of the approaches as set out in the sub-paragraph (d) above) (other than shares issued upon the exercise of conversion rights or the exercise of any other right to convert (or exchange or subscribe for) shares), or issues or grants (with the exception of the approaches as set out in the sub-paragraph (d) above) any share option, stock warrant or other rights to subscribe for or purchase shares, and the issue price of each share is lower than 80% of the current market price on the last trading day preceding the announcement of the terms of the issue or grant, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A is the number of shares in issue immediately before the announcement of the issue or grant (or in the absence of such announcement, the record date of such issue or grant);

B is the number of shares which the aggregate consideration receivable for the additional shares to be issued upon the issue or grant would purchase at such current market price per share; and

C is the maximum number of shares to be issued upon the issue or grant.

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

- (g) Other issues at a price lower than current market price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (g), the issue wholly for cash by a listed company or any subsidiary or (pursuant to the instruction or requirement of a listed company or any subsidiary or any of its arrangement entered into with a listed company) any other person (other than those set out in sub-paragraphs (d), (e) and (f) above) of any securities (including the Second Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange of or subscription for or purchase of, shares (or grant any of such rights of any existing securities so issued) at a consideration per share which is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the terms of issue of such securities, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately before such issue (or grant) by the following fraction:

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

where:

A is the number of shares in issue immediately before such issue or grant;

B is the number of shares which the aggregate consideration receivable for the shares to be issued upon conversion, subscription, exchange, or upon exercise of the such rights attached to the securities would purchase at such current market price per share; and

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C is the maximum number of shares to be issued upon exercise of the rights of conversion, exchange, or subscription attached to the securities.

Such adjustment shall become effective on the date of issue or grant of the securities.

(h) Modification of rights of conversion, etc.:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription (including those made in accordance with the terms applicable to such securities) attaching to any such securities mentioned in subparagraph (g) above so that the consideration per share receivable by a listed company is lower than 80% of the current market price per share on the last trading day preceding the date of announcement of the proposals for such modification, the Second Conversion Price shall be adjusted by multiplying the Second Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

A is the number of shares in issue immediately before such modification;

B is the number of shares which the aggregate consideration receivable for the shares to be issued by the Company upon exercise of the modified rights of conversion, exchange, subscription or purchase attached to the securities would purchase at such current market price per share (or, if lower, the existing conversion, exchange, subscription or purchase price); and

C is the maximum number of shares to be issued upon exercise of the modified rights of conversion, exchange, subscription or purchase.

Such adjustment shall become effective on the effective date of such modification.

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The Second Conversion Price per Second Conversion Share was arrived at after arm's length negotiation between the Company and Mr. Ng with reference to, among other things, (i) the audited consolidated net asset value per share of the Company as at 31 March 2017 (being approximately HK\$0.408); and (ii) the weak performance of trading price of the Shares that the closing price of the Shares as at the execution date of the Second Deed being HK\$0.325 per Share represents a drop of over 40% when comparing to that of the 52 week high being HK\$0.58 per Share.

The Second Conversion Price of HK\$0.30 per Second Conversion Share represents:

- (i) a discount of approximately 7.69% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange as at the date of the Second Deed ("**2nd CB Discount I**");
- (ii) a discount of approximately 9.64% to the average closing price of approximately HK\$0.332 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the preceding date of the Second Deed ("**2nd CB Discount II**");
- (iii) a premium of approximately 17.65% to the closing price of approximately HK\$0.255 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a discount of approximately 26.47% to the unaudited net asset value of approximately HK\$0.408 per Share as at 30 September 2017 (based on the unaudited consolidated net assets of the Group attributable to its Shareholders of approximately HK\$332.44 million as at 30 September 2017 as shown in the Company's interim report for the six months ended 30 September 2017 and 815,530,039 Shares in issue as at the Latest Practicable Date).

In assessing the fairness and reasonableness of the terms of the Convertible Bonds and the Second Convertible Bonds, we have primarily taken into account (i) the historical Share price performance; and (ii) the market comparables in respect of recent issuance of convertible bonds/notes.

A. Conversion Price and Second Conversion Price

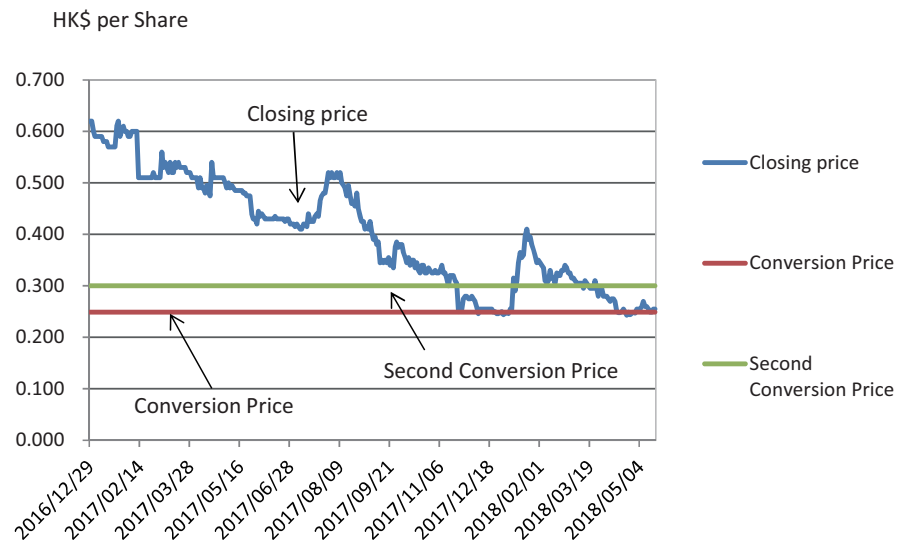
Historical Share price performance

Set out in Chart 1 below are the daily closing prices of the Shares on the Stock Exchange for the period from 29 December 2016 (being the first trading day of the 12-month period prior to the date of the Deed) up to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period which covers a full year prior to the date of the Deed

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represents a reasonable period to provide a general overview of the historical trend of the Share price when assessing the Conversion Price and the Second Conversion Price.

Chart 1: Share price performance against the Conversion Price and the Second Conversion Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in Chart 1 above, the closing price of the Shares ranged from approximately HK\$0.243 per Share on 23 April 2018 to approximately HK\$0.620 per Share on 29 December 2016, 30 December 2016 and 24 January 2017 with an average of approximately HK\$0.399 per Share during the Review Period. We noted that (i) the Conversion Price represents (a) a discount of approximately 37.59% to the average closing price, (b) a discount of approximately 59.84% to the maximum closing price and (c) a premium of approximately 2.47% over the minimum closing price during the Review Period; and (ii) the Second Conversion Price represents (a) a discount of approximately 24.81% to the average closing price, (b) a discount of approximately 51.61% to the maximum closing price and (c) a premium of approximately 23.46% over the minimum closing price, during the Review Period.

On 18 July 2017, the Company issued an announcement in relation to the acquisition of 100% equity interests in Explicitly Grand Investments Limited which is principally engaged in the development of innovative intellectual properties and technological solutions, mobile apps development and the provision of IT solutions to clients and mobile users across the globe (the “**Acquisition Announcement**”). Thereafter, the Share price surged from HK\$0.425 per Share on 18 July 2017 to HK\$0.520 per Share on 8 August 2017. On 29 December 2017, the Company published the announcement in relation to the entering into of the Deed to settle the prolonged disputes in

respect of the Promissory Notes (the “**Deed Announcement**”). Thereafter, the Share price surged from HK\$0.244 per Share on 2 January 2018 to HK\$0.410 per Share on 22 January 2018, representing a sharp increase of approximately 68.03% across the period. We have discussed with the management of the Company regarding the possible reasons for the surge in the closing prices after the publication of the Acquisition Announcement and the Deed Announcement and were advised that save for the Acquisition Announcement and the Deed Announcement, they were not aware of any matters which might have an impact on the closing prices of the Shares. Therefore, such respective surges in Share price following the publication of the Acquisition Announcement and the Deed Announcement are believed to be attributed to the market reaction on the Acquisition Announcement and the Deed Announcement. Save for the surge of Share price following the Acquisition Announcement and the Deed Announcement, the Share price demonstrated an overall downward trend throughout the Review Period.

Considering that (i) the Convertible Bonds and the Second Convertible Bonds would allow the Company to (a) delay its repayment obligation until redemption at maturity and/or (b) settle the liabilities thereunder by way of issue of new Shares (if converted), particularly when the Company has maintained a net current liability position since 2016 and the available cash resources of the Group were insufficient to settle the Promissory Notes; and (ii) the settlement of Promissory Notes by entering into the Deed and the Second Deed (including the issue of Convertible Bonds and the Second Convertible Bonds) are the most appropriate means after consideration of various financing alternatives (as further discussed in the above section headed “3. Reasons for and benefits of entering into the Deed and the Second Deed”), and based on our review of the recent closing prices of the Shares, we noted that (i) the closing price of the Shares exhibited an overall downward trend apart from the surges during the Review Period which may be due to temporary market optimism and the Conversion Price and the Second Conversion Price are close to and reflect the recent market price of the Shares; (ii) each of the Conversion Price and Second Conversion Price lies within the range of the closing prices of the Shares during the Review Period; (iii) the offer of discount to the prevailing closing prices of the Shares could accommodate any uncertainty that might emerge during the term of the convertible bonds; and (iv) the Conversion Price and the Second Conversion Price were determined after taking into account the dilution impact to the public Shareholders upon conversion thereof, we consider that each of the Conversion Price and the Second Conversion Price is fair and reasonable.

Market comparables analysis

In assessing the fairness and reasonableness of the terms of the Convertible Bonds and the Second Convertible Bonds, we have conducted independent research from the public domain on comparable transactions (the “**Comparables**”) which (i) involved the issue of convertible bonds and/or

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convertible notes under specific mandate (excluding (a) the issuance for acquisitions and (b) those transaction(s) which are conditional/inter-conditional on completion of another fund raising exercise); and (ii) were initially announced by companies listed on the Stock Exchange during the six months period prior to the date of the Deed and up to the Latest Practicable Date, which in our view represents a reasonable period of time to reflect the prevailing market conditions for conducting such transactions. Shareholders should note that the business, operations and prospects of the Comparables may not be the same as that of the Group. Nevertheless, we consider that the Comparables could provide a general reference as to the common market practice of companies listed in Hong Kong for conducting such transactions. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 13 Comparables which fit the aforementioned selection criteria. Set out in Table 2 below are a summary of the Comparables.

Table 2: A summary of the Comparables

Name of company	Stock code	Date of announcement	Maturity (months)	Interest rate (% per annum)	Premium/ (Discount) of the conversion price over/to the average closing price for the five trading days immediately prior to and including the date of agreement/last trading day (%)	Premium/ (Discount) of the conversion price over/to the average closing price for the five trading days immediately prior to and including the date of agreement/last trading day (%)	Contain adjustment clause which include all of those under the Convertible Bonds and the Second Convertible Bonds (Y/N) (Note 2)
					Premium/ (Discount) of the conversion price over/to the closing price on the date of agreement/last trading day (%)	Premium/ (Discount) of the conversion price over/to the average closing price for the five trading days immediately prior to and including the date of agreement/last trading day (%)	
Comtec Solar Systems Group Limited	712	18/5/2018	36	10	0 (Note 5)	(0.57) (Note 5)	N
China Environment Energy Investment Limited	986	8/5/2018	12	5	18.64	21.95	N
TUS International Limited	872	17/4/2018	60	0	11.97	9.90	Y
ArtGo Holdings Limited	3313	30/3/2018	24	5	NA (Note 1)	NA (Note 1)	N
Green International Holdings Limited (Note 3)	2700	26/1/2018	24	3	4.29	5.46	Y
Green International Holdings Limited (Note 3)	2700	26/1/2018	24	6	4.29	5.46	Y
Hospital Corporation of China Limited	3869	25/1/2018	36	0	19.36	27.52	N
Green Leader Holdings Group Limited	61	28/12/2017	36	6.5	(13.90)	(19.50)	N
Titan Petrochemicals Group Limited	1192	15/12/2017	12	7.5	0.00	0.36	N
Code Agriculture (Holdings) Limited	8153	8/12/2017	36	4	4.05	5.00	Y
Sinco Pharmaceuticals Holdings Limited	6833	12/10/2017	36	4	(32.70) (Note 4)	(33.70) (Note 4)	N
China Huarong Energy Company Limited	1101	21/8/2017	24	7	63.93 (Note 4)	63.40 (Note 4)	N
Eminence Enterprise Limited	616	7/8/2017	36	3	1.69	0.00	Y
		Maximum (excluding outliers)	60	10	19.36	27.52	
		Minimum (excluding outliers)	12	0	(13.90)	(19.50)	
		Average (excluding outliers)	31	4.55	5.04	5.56	
Convertible Bonds			27	0	(0.40)	0.40	
Second Convertible Bonds			12	0	(7.69)	(9.64)	

Source: The website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. Not applicable as the conversion price of this Comparable is not explicitly disclosed in the relevant announcement.
2. Pursuant to the Convertible Bonds and the Second Convertible Bonds, an adjustment to the conversion price will be triggered upon occurrence of events in relation to the Company including (i) consolidation or sub-division; (ii) capitalisation of earnings or reserves; (iii) capital distribution; (iv) issuance of shares or share options to subscribe for shares to shareholders; (v) issue of other securities to shareholders; and (vi) issues at a price lower than 80% of the prevailing market prices.
3. As the convertible bonds were/will be issued to different parties bearing different interest rates, the issuance of the subject convertible bonds by this company was treated as two separate transactions.
4. The figure has been excluded from the calculations as it appears to be abnormally large as compared to the rest of the Comparables and is considered as outlier which may skew the overall results.
5. The premium/discount is not explicitly disclosed in the relevant announcement and it has been calculated based on the closing price of the shares on the date of agreement/the average closing price of the shares for the five trading days immediately prior to and including the date of agreement (where applicable) as disclosed on the website of the Stock Exchange.

As illustrated in Table 2 above, the conversion prices of the Comparables ranged from a discount of approximately 13.90% to a premium of approximately 19.36% to/over the respective closing prices of their shares on the date of agreement/last trading day prior to the release of announcement in relation to the respective issue of convertible bonds/notes (the “**Market Range I**”), with an average of a premium of approximately 5.04%. The CB Discount I and the 2nd CB Discount I are both within the Market Range I. The conversion prices of the Comparables ranged from a discount of approximately 19.50% to a premium of approximately 27.52% to/over the respective average closing prices for the five trading days immediately prior to the date of agreement/last trading day prior to the release of announcement in relation to the respective issue of convertible bonds/notes (the “**Market Range II**”), with an average of a premium of approximately 5.56%. The CB Premium II and the 2nd CB Discount II are both within the Market Range II.

Given that (i) each of the CB Discount I and the 2nd CB Discount I fall within the Market Range I; and (ii) each of the CB Premium II and the 2nd CB Discount II fall within the Market Range II, we are of the view that the Conversion Price and the Second Conversion Price are fair and reasonable.

B. Interest rate

As shown in Table 2 above, the interest rates of the Comparables ranged from nil to 10% with an average of approximately 4.55% per annum. The Convertible Bonds and the Second Convertible Bonds are interest free and are at the bottom of the range of interest rates of the Comparables.

C. Maturity

The terms to maturity of the Comparables ranged from 12 months to 60 months with an average term to maturity of approximately 31 months. The term to maturity of the Convertible Bonds of 27 months falls within the range of duration of the Comparables while the term to maturity of the Second Convertible Bonds of 12 months is at the bottom of the range of duration of the Comparables.

D. Adjustment to conversion price

As illustrated in Table 2 above, we noted that 5 out of 13 of the Comparables contains anti-dilution clauses under their respective convertible bonds which include all and substantially the same anti-dilution clauses under the Convertible Bonds and the Second Convertible Bonds, as disclosed in the respective announcements. Therefore, we consider that the anti-dilution clauses as stipulated under the Convertible Bonds and the Second Convertible Bonds are not uncommon in the market. Further, we noted that upon the occurrence of any of the adjustment event(s), the conversion price will be adjusted in accordance with the terms and conditions of the respective convertible bonds. We have reviewed and compared the adjustment formulas for such conversion price adjustment against those under the Convertible Bonds and the Second Convertible Bonds and noted that the adjustment formulas and mechanism of the Convertible Bonds and the Second Convertible Bonds are in line with market practice.

Taking into consideration of the above, we are of the view that the principal terms of the Convertible Bonds under the Deed and the Second Convertible Bonds under the Second Deed, including the Conversion Price, the Second Conversion Price, the interest rate, the respective terms to maturity and the adjustment clauses and associated formulas thereof, are in line with the recent market practice, and the transferability of the Convertible Bonds are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Possible dilution effect on the shareholding interests of Shareholders

With reference to the shareholding table under the section headed “CHANGE OF SHAREHOLDING STRUCTURE” in the Letter from the Board, the shareholding interest of the public Shareholders would be diluted from approximately 65.61% to 41.66% immediately after full conversion of (a) Convertible Bonds into Conversion Shares and (b) Second Convertible Bonds into Second Conversion Shares, assuming

there is no other change in the share capital of the Company from the Latest Practicable Date to the issue and allotment of the Conversion Shares and the Second Conversion Shares.

Taking into account (i) the reasons for and benefit of entering into the Deed and the Second Deed; (ii) the terms of the Convertible Bonds and the Second Convertible Bonds are fair and reasonable; and (iii) the Company is expected to turnaround from net current liabilities to net current assets upon completion of the Deed and the Second Deed (as detailed in the below section headed “6. Financial effects of the Deed and the Second Deed”), we are of the view that the potential dilution impact to the public Shareholders as a result of the full conversion of the Convertible Bonds and the Second Convertible Bonds is acceptable.

6. Financial effects of the Deed and the Second Deed

Net assets and net current assets

Based on the Interim Report 2018, the net assets of the Group amounted to approximately HK\$332.44 million as at 30 September 2017. As a result of the Deed and the Second Deed, the outstanding amount of the Promissory Notes will be fully settled.

Pursuant to the Deed, on the First Payment Date, the sum of HK\$5,500,000 shall be paid to the solicitors of the Holders, while the Settlement PN shall be issued to the Holders in the respective sum of HK\$20,000,000 and HK\$30,000,000 with the respective maturity date falling on the Second Payment Date and the Third Payment Date. The Company shall also issue the Convertible Bonds in the principal amount of HK\$30,000,000 on the First Payment Date.

Pursuant to the Deed, the Promissory Notes will be cancelled and a portion of which will be transferred to Mr. Ng by issuing the Ng PN in the amount of HK\$104,500,000 which will be due upon issuance. Pursuant to the Second Deed, the Ng PN shall be settled by issuance of the Second Convertible Bonds to Mr. Ng. Independent Shareholders may approve both the Deed and the Second Deed (“**Scenario 1**”) or the Deed only (“**Scenario 2**”). Assuming that the Company will settle the upfront payment of HK\$5,500,000 and Settlement PN in the aggregate amount of HK\$50,000,000 under the Deed by internal resources, the financial effects under Scenario 1 and Scenario 2 will be as follows:

Scenario 1

The Company expects that immediately upon issue of the Settlement PN and the repayment of the upfront payment in the amount of HK\$5,500,000 on the First Payment Date, the current assets of the Group will decrease by HK\$5,500,000, while the current liabilities and non-current liabilities will decrease by HK\$35,500,000 and increase by HK\$30,000,000, respectively. The net assets of the Group will remain unchanged. In addition, immediately upon issue of the Convertible Bonds on the First Payment Date and assuming that the

Second Convertible Bonds will be issued on the First Payment Date, a portion of the current liabilities will be classified to non-current liabilities. The Convertible Bonds and the Second Convertible Bonds will be accounted for at fair value on the consolidated balance sheets of the Group upon completion of the Deed and the Second Deed. The fair value of the Convertible Bonds and the Second Convertible Bonds will depend on certain market conditions, and that the respective equity portion and the liability portion of the Convertible Bonds and the Second Convertible Bonds to be recognised will be subject to assessment and valuation by independent professional valuer. The Company expects that (i) the current liabilities of the Group will be further reduced; and (ii) the overall liabilities of the Group will be further reduced and the net assets are expected to increase, immediately upon issue of the Convertible Bonds and the Second Convertible Bonds on the First Payment Date.

Scenario 2

The Second Convertible Bonds will not be issued and the Ng PN under the Deed will become due upon issue. The current assets of the Group will decrease by HK\$5,500,000, while the current liabilities and non-current liabilities of the Group will decrease by HK\$35,500,000 and increase by HK\$30,000,000, respectively. The net assets of the Group will remain unchanged. In addition, immediately upon issue of the Convertible Bonds on the First Payment Date, a portion of the current liabilities will be classified to non-current liabilities. The Convertible Bonds will be accounted for at fair value on the consolidated balance sheets of the Group upon completion of the Deed. The fair value of the Convertible Bonds will depend on certain market conditions, and that the respective equity portion and the liability portion of the Convertible Bonds to be recognised will be subject to assessment and valuation by independent professional valuer. The Company expects that (i) the current liabilities of the Group will be further reduced; and (ii) the overall liabilities of the Group will be further reduced and the net assets are expected to increase, immediately upon issue of the Convertible Bonds on the First Payment Date. Assuming the Ng PN will be settled by internal resources of the Group, the current assets of the Group will further decrease by the principal amount of the Ng PN of HK\$104,500,000 and the current liabilities will be further reduced by the same amount correspondingly. However, based on the current financial resources available to the Group and as stated in the Letter from the Board, it is expected that the Company will not have sufficient internal resources to settle the Ng PN. In this connection, the Company has discussed with Mr. Ng and was notified that Mr. Ng has confirmed to further negotiate with the Company on other settlement methods after taking into account the Group's then financial position including but not limited to extension of repayment date and/or other settlement methods which may require Independent Shareholders' approval. As at the Latest Practicable Date, there is no agreement or arrangement or understanding entered into between the Company and Mr. Ng in respect of the settlement of the Ng PN in the event that the Second Deed is not approved by the Independent Shareholders.

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On the Second Payment Date, the Company shall settle part of the Settlement PN in the amount of HK\$20,000,000. As stated in the Letter from the Board, the settlement amount of HK\$20,000,000 will be settled by internal resource of the Group. As such, the current assets of the Group will decrease by HK\$20,000,000 while the current liabilities of the Group will decrease by HK\$20,000,000 as a result of the settlement of the Settlement PN in the amount of HK\$20,000,000. Accordingly, on the Second Payment Date, the net assets and net current assets of the Group will remain unchanged under both Scenario 1 and Scenario 2.

On the Third Payment Date, the Company shall settle the remaining part of the Settlement PN in the amount of HK\$30,000,000. As stated in the Letter from the Board, the settlement amount of HK\$30,000,000 is expected to be settled by a combination of (a) the Group's internal resources; (b) external equity or debt financing; and (c) requesting the exercise of the personal guarantee provided by Mr. Ng in case any shortfall incurred. For illustration purpose, assuming that such repayment will be fully settled by internal resources of the Group on the Third Payment Date, the current assets of the Group will decrease by HK\$30,000,000 and the current liabilities of the Group will decrease by the same amount correspondingly. Therefore, on the Third Payment Date, the net assets and net current assets of the Group will remain unchanged under both Scenario 1 and Scenario 2.

Given that the Promissory Notes accounted for a majority portion of around 93.09% of the current liabilities of the Group as at 30 September 2017, it is expected that the Group will turnaround from net current liabilities to net current assets upon completion of the Deed and the Second Deed.

Liquidity

Pursuant to the Deed, the sum of HK\$5,500,000 shall be paid by the Company to the solicitors of the Holders on the First Payment Date. Assuming such sum will be settled by internal resources of the Group, the cash and cash equivalents of the Group will decrease by HK\$5,500,000. Given that the Ng PN to be issued on the First Payment Date will be due immediately upon such issuance, the Group shall be obliged to settle the Ng PN in the principal amount of HK\$104,500,000 which may reduce its liquidity upon repayment. As the Convertible Bonds and the Second Convertible Bonds carry no interest payment, no cash outflow will be involved until redemption of the Convertible Bonds and the Second Convertible Bonds at their respective maturity.

In view of the above financial effects, in particular, the positive impact on the Group's net assets under Scenario 1, where both the Deed and the Second Deed were approved, and the potential turnaround of the Group from net current liabilities to net current assets, we consider that the overall financial effect on the Group as a result of the Deed and the Second Deed is positive. Shareholders

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should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group as a result of the Deed and the Second Deed.

RECOMMENDATIONS

Taking into consideration of the principal factors and reasons as set out in this letter, we are of the view that although each of the Deed and the Second Deed was not entered into in the ordinary and usual course of business of the Group, the terms of the Deed (including issue of the Convertible Bonds under the Specific Mandate) and the Second Deed (including issue of the Second Convertible Bonds under the Specific Mandate) are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Deed and the Second Deed and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note:

Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Goldin Financial to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance profession.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

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 its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO) or were required, to be entered in the register required to be kept pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) adopted by the Company, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Directors	Capacity	Number of shares held	Number of underlying shares held under share option scheme	Total	Approximate percentage of issued share capital
Mr. Ng Man Sun	Beneficial owner	57,468,626	6,844,780	64,313,406	7.88%
	Interest in a controlled corporation (Note 1)	307,366	—	307,366	0.04%
	Total	<u>57,775,992</u>	<u>6,844,780</u>	<u>64,620,772</u>	<u>7.92%</u>
Ms. Ng Wai Yee	Beneficial owner	—	7,093,040	7,093,040	0.87%
Ms. Yeung Pui Han, Regina	Beneficial owner	—	1,603,040	1,603,040	0.20%
Mr. Li Chi Fai	Beneficial owner	—	1,354,780	1,354,780	0.17%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	1,106,520	1,406,520	0.17%

Note:

- For 307,366 shares being held by East Legend Holdings Limited (“**East Legend**”), Mr. Ng Man Sun is interested in the entire issued share capital of East Legend and he is deemed to be interested in the 307,366 shares held by East Legend.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or required to

be entered in the register required to be kept pursuant to Section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

SUBSTANTIAL SHAREHOLDER

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Mr. Huang Wei Qiang	Beneficial Owner	86,900,000	10.66%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person (other than Directors or the chief executive of the Company) had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or held any options in respect of such capital.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion and advice which are included in this circular:

Name	Qualification
Goldin Financial	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, Goldin Financial did not have any direct or indirect interest in any assets which had been 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 since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up.

Goldin Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they respectively appear.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Group have been made up.

GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Units 5106-07, 51/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 5106–07, 51/F, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours (public holdings excluded) from the date of this circular up to and including the date of the SGM.

- (a) the Deed;
- (b) the Second Deed;
- (c) the memorandum of association and bye-laws of the Company;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from Goldin Financial" of this circular;
- (f) the letter of consent referred to under the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (g) a copy of this circular.



AMAX INTERNATIONAL HOLDINGS LIMITED

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Amax International Holdings Limited (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 19 June 2018 at 11:00 a.m. to consider and, if thought fit, pass the following resolutions, with or without amendment(s), as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the deed of settlement (the “**Deed**”) dated 29 December 2017 (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company, Ms. Lee Bing and Mr. Wu Weide (Ms. Lee Bing and Mr. Wu Weide collectively known as the “**Holders**”) in relation to the settlement of amount in dispute in the aggregate sum of HK\$85,500,000 by the Company to the Holders (details were disclosed in the circular of the Company dated 31 May 2018 (the “**Circular**”), a copy of which is marked “B” and signed by the chairman of the SGM for identification purpose and has been tabled at the SGM) and the transactions contemplated thereunder including but not limited to the issue of zero-coupon convertible bonds in the aggregate principal amount of HK\$30,000,000 (the “**Convertible Bonds**”) which are convertible into ordinary shares of the Company (the “**Conversion Shares**”) at the conversion price of HK\$0.249 per Conversion Shares (subject to adjustment) to the Holders pursuant to the Deed, and the transactions contemplated thereunder (including the allotment and issue of the shares of HK\$0.20 each in the share capital of the Company upon conversion of the Convertible Bonds) be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) subject to the fulfilment or waiver of the conditions precedent set out in the Deed, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds;

NOTICE OF THE SGM

- (c) any one Director be and is hereby authorised to do all such further acts and things and sign and execute such further documents, including under seal where applicable as he/she considers necessary, desirable or expedient in connection with or to give effect to the terms of the Deed and/or any other transactions contemplated under the Deed.”

2. “**THAT**

- (a) the deed of settlement (the “**Second Deed**”) dated 1 March 2018 (a copy of which has been produced to the meeting marked “C” and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company and Mr. Ng Man Sun in relation to the settlement of amount in dispute in the sum of HK\$104,500,000 by the Company to Mr. Ng Man Sun (details were disclosed in the Circular) and the transactions contemplated thereunder including but not limited to the issue of zero-coupon convertible bonds in the principal amount of HK\$104,500,000 (the “**Second Convertible Bonds**”) which are convertible into ordinary shares of the Company (the “**Second Conversion Shares**”) at the conversion price of HK\$0.30 per Second Conversion Share (subject to adjustment) to Mr. Ng Man Sun pursuant to the Second Deed, and the transactions contemplated thereunder (including the allotment and issue of the shares of HK\$0.20 each in the share capital of the Company upon conversion of the Second Convertible Bonds) be and are hereby generally and unconditionally approved, confirmed and ratified;
- (b) subject to the fulfilment or waiver of the conditions precedent set out in the Second Deed, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to allot and issue the Second Conversion Shares upon exercise of the conversion rights attaching to the Second Convertible Bonds pursuant to the terms and conditions of and the Second Convertible Bonds; and
- (c) any one Director be and is hereby authorised to do all such further acts and things and sign and execute such further documents, including under seal where applicable as he/she considers necessary, desirable or expedient in connection with or to give effect to the terms of the Second Deed and/or any other transactions contemplated under the Second Deed.”

By Order of the Board
Amax International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

Hong Kong, 31 May 2018

NOTICE OF THE SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
Business in Hong Kong:*
Units 5106–07,
51/F, The Center,
99 Queen's Road Central,
Central, Hong Kong

Notes:

1. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder.
2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
4. In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Wednesday, 13 June 2018 to Tuesday, 19 June 2018, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 June 2018.
5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.

The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will post an announcement on the Company's website (<http://www.amaxhldg.com>) and on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.