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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in Chinlink International Holdings Limited, you should at once hand this circular, the accompanying notice of special general meeting and the form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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CHINLINK

普匯中金

### CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 0997)

#### PROPOSED AUTHORISED SHARE CAPITAL INCREASE AND PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

##### Financial adviser to the Company



英皇融資有限公司  
Emperor Capital Limited

##### Underwriter to the Rights Issue



英皇證券(香港)有限公司  
Emperor Securities Limited

##### Independent financial adviser to the Independent Board Committee and the Independent Shareholders



Optima Capital Limited

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

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 21 October 2016. Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 1 November 2016 to Tuesday, 8 November 2016 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. (Hong Kong time) on Wednesday, 16 November 2016 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional and may not proceed.

A letter of advice from Optima Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 30 to 54 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 29 of this circular.

A notice convening a special general meeting of the Company to be held at 2:30 p.m. on Wednesday, 19 October 2016 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong together with the form of proxy are enclosed with this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

\* For identification purposes only

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## RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT

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If prior to the Latest Time for Termination:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
  - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcements or the Prospectus Documents or other announcements in connection with the Rights Issue; or

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## **RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT**

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- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter are material to the Group as a whole and are likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Rights Issue is conditional, inter alia, upon fulfillment of the conditions set out under the sub-section headed “Conditions of the Rights Issue” in the section headed “Proposed Rights Issue” in this circular. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/ or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter’s right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

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## DEFINITIONS

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

“Announcements”	the announcement of the Company dated 7 September 2016, 20 September 2016, 26 September 2016 and 30 September 2016 in relation to, among other things, the Authorised Share Capital Increase, the Rights Issue and the delay in despatch of this circular
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company from HK\$62,500,000 divided into 5,000,000,000 Shares to HK\$250,000,000 divided into 20,000,000,000 Shares by creation of an additional 15,000,000,000 Shares
“Board”	the board of Directors
“Bridging Loan”	unsecured and unguaranteed revolving shareholder’s loan from Mr. Li to the Company of principal amount not more than HK\$400 million
“Business Day(s)”	any day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Chinlink International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Convertible Bonds”	the 10% coupon unlisted convertible bonds in the aggregate principal amount of US\$10 million with an initial conversion price at HK\$0.83 per Share issued by the Company, which will be due on 30 June 2017, details of which were set out in the Company’s announcement dated 23 December 2015
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“Emperor Securities” or “Underwriter”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than Mr. Li, Wealth Keeper and their respective associates
“Last Trading Day”	7 September 2016, being the last trading day of the Shares on the Stock Exchange before the release of the announcement by the Group dated 7 September 2016 in relation to, among other thing, the Right Issue
“Latest Lodging Date”	4:30 p.m. on Monday, 24 October 2016, being the latest time for lodging transfer of Shares and/or exercise the Convertible Bonds and Vested Share Options in order to be qualified for the Rights Issue
“Latest Practicable Date”	30 September 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 11 November 2016 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for the Rights Shares and application for excess Rights Shares

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## DEFINITIONS

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“Latest Time for Termination”	4:00 p.m. on Wednesday, 16 November 2016, being the third Business Day after (but excluding) the Latest Time for Acceptance, or such other time or date as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Weibin, the chairman and managing director of the Company, who is interested in an aggregate of 1,498,993,160 Shares (of which 1,446,303,160 Shares are beneficially owned by Wealth Keeper and 52,690,000 Shares are beneficially owned by Mr. Li personally) representing approximately 53.70% of the existing issued share capital of the Company in total as at the Latest Practicable Date. Mr. Li is also interested in 8,600,000 Share Options as at the Latest Practicable Date
“Mr. Li Vested Share Options”	the 5,160,000 Share Options granted to Mr. Li by the Company which are exercisable from the Latest Practicable Date and up to the Latest Lodging Date
“Optima Capital”	Optima Capital Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

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## DEFINITIONS

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“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 28 October 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Prohibited Shareholders, if any
“Qualifying Shareholder(s)”	Shareholder(s), other than the Prohibited Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 27 October 2016, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriter may agree in writing with the Company)
“Registrar”	Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Remaining Share Options”	a maximum of 57,400,000 Share Options, being the Vested Share Options less Mr. Li Vested Share Options
“Rights Issue”	the proposed issue by way of rights of five (5) Rights Shares for every one (1) Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and set out in the Prospectus Documents
“Rights Share(s)”	not less than 13,958,384,095 Shares and not more than 14,712,390,115 Shares to be issued and allotted under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Authorised Share Capital Increase and the Rights Issue (including, among other things, the Underwriting Agreement) and the transactions contemplated thereunder



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## DEFINITIONS

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“Share(s)”	ordinary share(s) of nominal value of HK\$0.0125 each in the share capital of the Company
“Share Option(s)”	the share options granted by the Company to subscribe for an aggregate of 110,600,000 Shares under the Share Option Scheme
“Share Options Scheme”	the share option scheme of the Company adopted pursuant to the ordinary resolution passed by the Shareholder on 21 September 2012
“Shareholder(s)”	holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.04 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 7 September 2016 (as supplemented on 30 September 2016) entered into among the Company, Emperor Securities, Mr. Li and Wealth Keeper in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	not less than 6,463,418,295 Rights Shares and not more than 7,217,424,315 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vested Share Options”	a maximum of 62,560,000 Share Options granted by the Company which are exercisable from the Latest Practicable Date and up to the Latest Lodging Date
“Wealth Keeper”	Wealth Keeper International Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued shares capital of which is wholly and beneficially owned by Mr. Li
“%”	per cent.

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## EXPECTED TIMETABLE

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*The expected timetable for the Authorised Share Capital Increase, the Rights Issue and the associated trading arrangement is set out below.*

*All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out below is for indicative purpose only assuming that the Rights Issue will be approved by the Independent Shareholders at the SGM. The expected timetable may be subject to change, and any such change will be further announced by the Company as and when appropriate.*

<b>Event</b>	<b>Date (Hong Kong Time)</b>
Latest time for lodging proxy forms for the SGM . . . . .	2:30 p.m. on Monday, 17 October 2016
Latest time for lodging transfer for the SGM . . . . .	4:30 p.m. on Monday, 17 October 2016
Register of members closed (both dates inclusive) . . . . .	Tuesday, 18 October 2016 to Wednesday, 19 October 2016
Expected date and time of the SGM . . . . .	2:30 p.m. on Wednesday, 19 October 2016
Announcement of the poll result of the SGM . . . . .	Wednesday, 19 October 2016
Effective date of the Authorised Share Capital Increase. . . . .	Wednesday, 19 October 2016
Last day of dealing in the Shares on cum-rights basis . . . . .	Thursday, 20 October 2016
First day of dealings in the Shares on ex-rights basis . . . . .	Friday, 21 October 2016
Latest time for lodging transfer of the Shares and/or exercising the Convertible Bonds/Vested Share Options in order to be qualified for the Rights Issue . . . . .	4:30 p.m. on Monday, 24 October 2016
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive). . . . .	Tuesday, 25 October 2016 to Thursday, 27 October 2016
Record Date for the Rights Issue. . . . .	Thursday, 27 October 2016
Prospectus Documents expected to be despatched . . . . .	Friday, 28 October 2016
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Tuesday, 1 November 2016

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## EXPECTED TIMETABLE

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<b>Event</b>	<b>Date (Hong Kong Time)</b>
Latest time for splitting in nil-paid Rights Shares. . . . .	4:30 p.m. on Thursday, 3 November 2016
Last day of dealings in nil-paid Rights Shares. . . . .	4:00 p.m. on Tuesday, 8 November 2016
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares. . . . .	4:00 p.m. on Friday, 11 November 2016
Latest time for termination of the Underwriting Agreement . . . . .	4:00 p.m. on Wednesday, 16 November 2016
Announcement for allotment result of the Rights Issue . . . . .	Thursday, 17 November 2016
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before. . . . .	Friday, 18 November 2016
Certificates for the Rights Shares expected to be despatched on or before . . . . .	Friday, 18 November 2016
Dealings in fully-paid Rights Shares commence . . . . .	9:00 a.m. on Monday, 21 November 2016

### **Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares**

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a 'black' rainstorm warning:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 11 November 2016. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same day; or
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 11 November 2016. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Friday, 11 November 2016, the expected timetable above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## LETTER FROM THE BOARD

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CHINLINK

普匯中金

### CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

*Executive Directors:*

Mr. Li Weibin (*Chairman and Managing Director*)

Mr. Siu Wai Yip

Ms. Lam Suk Ling, Shirley

Mr. Lau Chi Kit

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Non-executive Director:*

Ms. Fung Sau Mui

*Head Office and Principal Place of*

*Business in Hong Kong:*

7/F., Two Exchange Square

8 Connaught Place

Central, Hong Kong

*Independent non-executive Directors:*

Dr. Ho Chung Tai, Raymond

Ms. Lai Ka Fung, May

Ms. Chan Sim Ling, Irene

3 October 2016

*To the Shareholders,*

Dear Sirs,

**PROPOSED AUTHORISED SHARE CAPITAL INCREASE  
AND  
PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES  
FOR EVERY ONE SHARE HELD ON THE RECORD DATE**

#### INTRODUCTION

Reference is made to the Announcements. The Board proposes to put forward to the Shareholders:

- a. the Authorised Share Capital Increase from HK\$62,500,000 divided into 5,000,000,000 Shares to HK\$250,000,000 divided into 20,000,000,000 Shares by creation of an additional 15,000,000,000 Shares; and

\* For identification purposes only

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## LETTER FROM THE BOARD

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- b. subject to the Authorised Share Capital Increase becoming effective, to implement the Rights Issue on the basis five (5) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price to raise gross proceeds of approximately HK\$558.3 million (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) or approximately HK\$588.5 million (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date) by issuing not less than 13,958,384,095 Rights Shares (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) and not more than 14,712,390,115 Rights Shares (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date).

The purpose of this circular is to provide you with, among other things, (i) details of the Authorised Share Capital Increase and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the SGM and other information required under the Listing Rules.

### **PROPOSED AUTHORISED SHARE CAPITAL INCREASE**

The Board proposes to increase the Company's authorised share capital from HK\$62,500,000 divided into 5,000,000,000 Shares to HK\$250,000,000 divided into 20,000,000,000 Shares by creation of an additional 15,000,000,000 Shares. The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM. As none of the Shareholders has any material interest in the Authorised Share Capital Increase, no Shareholder is required to abstain from voting for this resolution at the SGM.

### **PROPOSED RIGHTS ISSUE**

The Rights Issue is proposed to take place after and is conditional upon, among other matters, the Authorised Share Capital Increase becoming effective.

### **Issue statistics**

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.04 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	2,791,676,819 Shares

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## LETTER FROM THE BOARD

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Number of Rights Shares	:	Not less than 13,958,384,095 Rights Shares (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) and not more than 14,712,390,115 Rights Shares (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date)
Number of Shares in issue upon completion of the Rights Issue	:	Not less than 16,750,060,914 Shares (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) and not more than 17,654,868,138 Shares (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date)
Gross amount to be raised	:	Approximately HK\$558.3 million (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) or approximately HK\$588.5 million (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date)

As at the Latest Practicable Date, there are (i) Convertible Bonds in the aggregate principal amount of US\$10 million (equivalent to approximately HK\$77.505 million) convertible into 93,401,204 Shares (which is determined based on an agreed fixed exchange rate of HK\$7.7523=US\$1) at the prevailing conversion price of HK\$0.83 per Share (subject to adjustment); and (ii) Share Options to subscribe for an aggregate of 110,600,000 Shares under the Share Option Scheme, of which a maximum of 62,560,000 Vested Share Options including 5,160,000 Share Options granted to Mr. Li by the Company are exercisable from the date of this circular and up to the Latest Lodging Date. Save for the Convertible Bonds and the Share Options, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

### **Qualifying Shareholder**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Prohibited Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) and/or exercise of the Convertible Bonds and/or the Vested Share Options must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 24 October 2016. It is expected that the last day of dealing in the Shares on a cum-rights basis is Thursday, 20 October 2016 and the Shares will be dealt in on an ex-rights basis from Friday, 21 October 2016.

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## LETTER FROM THE BOARD

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The Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders. The Company will send the Prospectus to the Prohibited Shareholders (if any) for their information only.

### **Rights of Overseas Shareholders**

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders. If based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The basis for excluding the Prohibited Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Prohibited Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Prohibited Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Prohibited Shareholders will be made available for excess application by the Qualifying Shareholders. For the avoidance of doubt, the Prohibited Shareholders (if any), so long as he/she/it is an Independent Shareholder, will be entitled to vote at the SGM in respect of the Rights Issue.

According to the register of members of the Company as at the Latest Practicable Date, there was no Shareholder whose address as shown on the Company's share register is outside of Hong Kong. The Company will continue to ascertain whether there is any Overseas Shareholder on the Record Date and will, if necessary, make necessary enquiry(ies) with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such Overseas Shareholder(s), if any, on the Record Date and make relevant disclosures in the Prospectus.

### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 25 October 2016 to Thursday, 27 October 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares and/or exercise of the Convertible Bonds and/or the Vested Share Options will be registered during this period.

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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price is HK\$0.04 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 76.19% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 34.43% to the theoretical ex-rights price of approximately HK\$0.061 per Share based on the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 75.61% to the average closing price of approximately HK\$0.164 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 66.10% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price and trading liquidity of the Shares under the prevailing market conditions and the financial position of the Group. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Board considers that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. The Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Optima Capital in this regard) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net subscription price per Rights Share will be approximately HK\$0.039.

### Basis of provisional allotments

The basis of the provisional allotment shall be five (5) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted for with the Registrar by 4:00 p.m. on Friday, 11 November 2016.



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## LETTER FROM THE BOARD

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### **Dilution Effect**

In the event that the Shareholders do not take up their respective entitlements under the Rights Issue, their respective shareholding interests in the Company will be diluted by approximately 83.33%. Assuming these Shareholders also do not sell their nil-paid rights, the value of their respective shareholding (which is calculated by multiplying the number of Shares held by such Shareholders by the price of the Shares) may suffer theoretical diminution by approximately 63.69%, which is calculated by reference to the difference between (i) the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Closing Price**”) and (ii) the theoretical ex-rights price of the Shares of approximately HK\$0.061 derived from the Closing Price.

### **Status of the Rights Shares**

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

### **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for (i) the Rights Shares representing the entitlement of the Prohibited Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to the Qualifying Shareholders who have applied for excess Rights Shares. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their sole discretion on a fair and equitable basis on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

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## LETTER FROM THE BOARD

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Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Latest Lodging Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on Monday, 24 October 2016.

### **Share certificates and refund cheques for the Rights Shares**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or before Friday, 18 November 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or before Friday, 18 November 2016 by ordinary post to the unsuccessful applicants, at their own risk, to their registered addresses.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM of ordinary resolutions to approve the Authorised Share Capital Increase, the Rights Issue and the Underwriting Agreement and the transactions respectively contemplated thereunder;
- (ii) the Authorised Share Capital Increase having become effective;
- (iii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue within two Business Days after the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
- (vi) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (vii) compliance with and performance of all the undertakings and obligations of Mr. Li and Wealth Keeper under the terms of the Underwriting Agreement; and
- (viii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms prior to the Latest Time for Termination.

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

On 7 September 2016 (after trading hours of the Stock Exchange), the Company, the Underwriter, Mr. Li and Wealth Keeper entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date	:	7 September 2016 (as supplemented on 30 September 2016)
Underwriter	:	Emperor Securities
Total number of Rights Shares underwritten by the Underwriter	:	Not less than 6,463,418,295 Rights Shares and not more than 7,217,424,315 Rights Shares (having taken into account the irrevocable undertakings from Mr. Li and Wealth Keeper and assuming no Shares will be issued or repurchased by the Company on or before the Record Date)
Commission	:	Emperor Securities shall receive 2% of the aggregate Subscription Price of the maximum number of Rights Shares underwritten by it

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from Optima Capital) considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

### Irrevocable Undertakings from Mr. Li and Wealth Keeper

Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken in the Underwriting Agreement in favour of the Company and the Underwriter to subscribe for 263,450,000 Rights Shares and 7,231,515,800 Rights Shares to which Mr. Li and Wealth Keeper are respectively entitled under the Rights Issue. Mr. Li has further undertaken not to exercise any of the Mr. Li Vested Share Options which accounted for 5,160,000 Share Options on or before the Latest Lodging Date.

### Undertaking given by the Underwriter

The Underwriter has undertaken in the Underwriting Agreement that the Underwriter will use its best endeavour to procure that each of the ultimate subscribers or purchasers of the untaken Rights Shares procured by it or its sub-underwriters will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate of 10% or more of the voting rights of the Company immediately after the Rights Issue.

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## LETTER FROM THE BOARD

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### Rescission and Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
  - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

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## LETTER FROM THE BOARD

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- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcements or the Prospectus Documents or other announcements in connection with the Rights Issue; or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter are material to the Group as a whole and are likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

**Scenario 1:**

**Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date:**

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all Shareholders have taken up the Rights Shares		Assuming only Mr. Li and Wealth Keeper have taken up their Rights Shares entitlement and the Underwriter has taken up all the Underwritten Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Li (Note 1)	52,690,000	1.89%	316,140,000	1.89%	316,140,000	1.89%
Wealth Keeper (Note 2)	1,446,303,160	51.81%	8,677,818,960	51.81%	8,677,818,960	51.81%
	1,498,993,160	53.70%	8,993,958,960	53.70%	8,993,958,960	53.70%
The Underwriter (Note 3)	-	-	-	-	6,463,418,295	38.59%
Other public Shareholders	1,292,683,659	46.30%	7,756,101,954	46.30%	1,292,683,659	7.71%
<b>TOTAL</b>	<b>2,791,676,819</b>	<b>100%</b>	<b>16,750,060,914</b>	<b>100%</b>	<b>16,750,060,914</b>	<b>100%</b>

## LETTER FROM THE BOARD

### Scenario 2:

**Assuming Shares are issued upon the exercise of the Remaining Share Options and the conversion rights attached to the Convertible Bonds in full on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date:**

	As at the Latest Practicable Date		Immediately before completion of the Rights Issue assuming Shares are issued upon the exercise of the subscription rights attached to the Remaining Share Options and the conversion rights attached to the Convertible Bonds in full, on or before the Latest Lodging Date				Immediately after completion of the Rights Issue			
			Assuming all Shareholders have taken up the Rights Shares		Assuming only Mr. Li and Wealth Keeper have taken up their Rights Shares entitlement and the Underwriter has taken up all the Underwritten Shares					
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Mr. Li (Note 1)	52,690,000	1.89%	52,690,000	1.79%	316,140,000	1.79%	316,140,000	1.79%		
Wealth Keeper (Note 2)	1,446,303,160	51.81%	1,446,303,160	49.15%	8,677,818,960	49.15%	8,677,818,960	49.15%		
	1,498,993,160	53.70%	1,498,993,160	50.94%	8,993,958,960	50.94%	8,993,958,960	50.94%		
Other Directors (Note 4)	-	-	14,800,000	0.50%	88,800,000	0.50%	14,800,000	0.08%		
The Underwriter (Note 3)	-	-	-	-	-	-	7,217,424,315	40.88%		
Other public Shareholders	1,292,683,659	46.30%	1,428,684,863	48.55%	8,572,109,178	48.55%	1,428,684,863	8.09%		
<b>TOTAL</b>	<b>2,791,676,819</b>	<b>100%</b>	<b>2,942,478,023</b>	<b>100%</b>	<b>17,654,868,138</b>	<b>100%</b>	<b>17,654,868,138</b>	<b>100%</b>		

*Notes:*

- Mr. Li is an executive Director.
- Wealth Keeper was 100% beneficially owned by Mr. Li. Its shareholding in the Company was 1,446,303,160 Shares as at the Latest Practicable Date.
- In circumstances where the Rights Issue has become unconditional and the Underwriter is obliged to take up all its commitment to the relevant number of Underwritten Shares in accordance with the Underwriting Agreement, its underwriting commitment would amount to a stake from approximately 38.59% to 40.88% (as the case may be) of the share capital of the Company as enlarged by the issue of the Rights Shares. The Underwriter confirmed to the Company that it has entered into sub-



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## LETTER FROM THE BOARD

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underwriting agreements with sub-underwriters to sub-underwrite its underwriting obligation as to 3,550,000,000 Rights Shares in aggregate and that each sub-underwriter's underwriting commitment would account for less than 10% of the issued share capital of the Company immediately after completion of the Rights Issue. Moreover, the Underwriter has undertaken in the Underwriting Agreement that it will use its best endeavour to procure that each of the ultimate subscribers or purchasers of the untaken Rights Shares procured by it or its sub-underwriter will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate of 10% or more of the voting rights of the Company immediately after the Rights Issue.

4. The Directors are Mr. Siu Wai Yip, Ms. Lam Suk Ling, Shirley, Mr. Lau Chi Kit, Ms. Fung Sau Mui, Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.

### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in property investment, interior decoration works in Hong Kong and Macau, trading of consumer goods (including trading of furnitures and fixtures) and electronic components, provision of financing guarantee services and consultancy services and logistics services in the People's Republic of China.

According to the latest published financial information of the Company, it recorded current liabilities of approximately HK\$1,131 million as at 31 March 2016 which included the 12% coupon bonds of approximately HK\$430.5 million and the 8% coupon bonds of approximately HK\$201.7 million (collectively the "**Coupon Bonds**"). In view of the Coupon Bonds will be due shortly, the Company is in need of the capital to repay or refinance the Coupon Bonds. As disclosed in the announcement of the Company dated 13 June 2016, the Group entered into a loan facility with Industrial and Commercial Bank of China (Asia) Limited ("**ICBC**"), pursuant to which ICBC conditionally agreed to provide a 3-year term secured loan facility of up to HK\$630 million (the "**ICBC Facility**") to a wholly-owned subsidiary of the Company in two tranches. The ICBC Facility will be secured by certain storeys of a commercial complex (the "**Commercial Complex**") of the Group in Xi'an City, Shaanxi Province, PRC. The first tranche of the ICBC Facility amounted to HK\$175.0 million was drawn down by the Group on 10 June 2016 for partial repayment of the Coupon Bonds. However, the drawdown of the second tranche of the ICBC Facility was delayed due to the unexpectedly time-consuming procedures with the State Administration of Foreign Exchange and Housing Support and Building Administration Bureau of the PRC to complete the transfer and registration of the pledge of certain storeys of the Commercial Complex (the "**Second Tranche Collateral**") from the Group's PRC banker to ICBC.

The Company has been using its best endeavor to solve the current funding situation before considering the Rights Issue by (i) striving for extensions of the maturity date of the Coupon Bonds which is/are to be due shortly; and (ii) keeping track closely on the approval processes of the drawdown of the second tranche of the ICBC Facility. The maturity date of the 12% coupon bonds with principal amount of HK\$252 million has been extended from 30 September 2016 to 30 November 2016. As at the Latest Practicable Date, the Board considered the possibility of extending the maturity date or settlement date of the 8% coupon bonds (as one of the Coupon Bonds) in October 2016 to be minimal since the revision of settlement terms can only be achieved when the Company reaches mutual agreements with each of the dozens of bondholders within a limited timeframe. The Company cannot estimate the time required to achieve such extensive mutual agreements and there is no certainty to achieve them taking into account the immediate maturity of bonds. Also, the timing of the

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## LETTER FROM THE BOARD

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release of the Second Tranche Collateral and the completion of the registration of the charge with the State Administration of Foreign Exchange and Housing Support and Building Administration Bureau of the PRC in favour of ICBC pursuant to the ICBC Facility is not confirmed, and hence the timing of the drawdown of the second tranche of the ICBC Facility, remain uncertain. Therefore, the Board considered that the Rights Issue can be the most appropriate way to raise the necessary capital for the Company under the current situation. As stipulated by the terms of the ICBC Facility, more than 30% of the second tranche drawdown amount from the ICBC Facility is to be used as the general working capital in the international trading business of the Group, leaving only HK\$205 million available for repayment of the Coupon Bonds. The remaining balance of the Coupon Bonds will be repaid by the Bridging Loan and/or other refinancing sources given the timetable of the Rights Issue has been delayed from that of originally planned. Such Bridging Loan and/or other refinancing sources will in turn be repaid by the portion of the net proceeds from the Rights Issue which was originally planned for the partial repayment of the Coupon Bonds should the timetable of the Rights Issue not being delayed. Given the total debts of the Group as at 31 July 2016 amounted approximately HK\$1,624 million (which consisted of current debts of approximately HK\$1,199 million), the Company considered that the Rights Issue is necessary to the Company even after the drawdown of second tranche of the ICBC Facility as both are important to resolve the imminent capital needs of the Company.

The Directors have also considered other means of fund raising exercises such as debt financing or other equity financing like placing. Before the signing of the Underwriting Agreement, the Board had approached five different financial institutions, namely Firm A, Firm B, Firm C, Firm D and Firm E (the “**Prospective Financiers**”), to explore different methods of fund raising activities which broadly covered debt and/or equity at the beginning. However, only placing of bonds and/or convertible bonds plans were proposed by the Prospective Financiers. Firm A proposed to the Company a placing of 2-year convertible bonds, on best effort basis, with principal amount of approximately HK\$300 million with Mr. Li’s guarantee, interest rate of 11% per annum and at conversion price representing a premium of 51.8% over the average Share price of all trading days in March 2016. Firm B proposed to the Company a placing of convertible bonds, on best effort basis, with principal amount of approximately HK\$200 million at conversion price representing a premium of 47.8% over the average Share price of all trading days in April 2016. Firm C proposed to the Company a placing of either convertible bonds or bonds, on a best effort basis, conditional upon the Company or Mr. Li pledging assets of comparable value in favour of Firm C as security. For Firm B and Firm C, no definitive terms were concluded after some negotiations. Firm D and Firm E separately proposed to the Company a placing of convertible bonds and bonds, on best effort basis, with principal amount of approximately HK\$300 million and interest rate of over 15% per annum conditional upon the Company or Mr. Li pledging assets of comparable value in favour of Firm D and Firm E as security respectively. In view of (i) the relatively small scale of proposed fund raising exercises offered by the Prospective Financiers; (ii) prolonged time will be needed to raise the necessary funding without certainty by multiple rounds under current market conditions; (iii) the uncertainty in raising the proposed amount if the Prospective Financiers were to act as the placing agents on best effort basis; (iv) the higher interest rate convertible bonds and/or bonds offered by Firm A and Firm B which will increase the debt level and interest burden of the Company even with the premium conversion price; (v) the need to charge the Group’s assets as security for Firm C, Firm D and Firm E, the Board considered these proposed fund raising exercises, if proceed, may not to be in the best interests of the Company and the Shareholders as a whole. Also, after considered among other things, that (i) debt-financing, if compared to the Rights Issue, will incur interest expenses and may be

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## LETTER FROM THE BOARD

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subject to lengthy due diligence by and negotiations with the lenders; (ii) the Company has been striving to reduce its debt level and interest expenses in order to allow a more sustainable growth of its business; (iii) other equity financing like placing is generally to be conducted on a best effort basis with less certainty on its success; and (iv) the interests of the Shareholders to participate into the future growth of the Company, the Directors are of the view that it is in the interest of the Company to proceed with the Rights Issue for the reasons that:

- (i) the Rights Issue would decrease the total debt of the Group and hence lower interest expenses;
- (ii) the Rights Issue would streamline the assets liabilities allocation of the Company which in turn facilitates the organic growth of its existing business; and
- (iii) up to the date of the announcement on 7 September 2016 in relation to, among other things, the Authorised Share Capital Increase and the Rights Issue, the financial proposals offered by these financial institutions ranged from only HK\$200 million to HK\$300 million which is relatively small comparing to the scale of funding of the Rights Issue.

Moreover, it is considered that the Rights Issue provides an opportunity for the Company to restructure its financial position and to focus on the development on the Group's business. Accordingly, the Directors (including the members of the Independent Board Committee after having received and considered the advice from Optima Capital) consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole. As at the date of the announcement of the Company on 7 September 2016 in relation to, among other things, the Authorised Share Capital Increase and the Rights Issue, save as the abovementioned proposals offered by the Prospective Financiers and the proposed Rights Issue, the Company did not receive any other fund raising plans from any other banks and/or financial institutions that could lower the gearing ratio and interest burden of the Company.

The scale of the Rights Issue is determined based on the Company's estimation of the Group's expected cash demand to repay the debts of the Group which will be due shortly and/or high interest bearing. The Company considers that the scale of the Rights Issue is justifiable while taking into account the expected capital demand in near future. The gross proceeds and net proceeds from the Rights Issue will be approximately HK\$558.3 million and HK\$549.9 million respectively (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) or approximately HK\$588.5 million and HK\$580.1 million respectively (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date). As at 31 July 2016, the Group recorded total debts of approximately HK\$1,624 million which consisted of:

	<b>Debts</b>	<b>Outstanding Principal Amounts</b>	<b>Expected Due Dates</b>
(i)	secured and guaranteed bank borrowings	HK\$449,442,000	HK\$239,218,000 repayable within one year HK\$210,224,000 repayable over one year
(ii)	unsecured and guaranteed bank borrowings	HK\$5,854,000	HK\$5,854,000 repayable within one year

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## LETTER FROM THE BOARD

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Debts	Outstanding Principal Amounts	Expected Due Dates
(iii) secured and guaranteed bank overdraft	HK\$6,199,000	HK\$6,199,000 repayable on demand
(iv) unsecured and unguaranteed 7.5% coupon bonds of the Company (the “ <b>7.5% Coupon Bonds</b> ”)	HK\$200,000,000	HK\$116,000,000 due in July 2017; HK\$84,000,000 due in August 2017
(v) unsecured and unguaranteed 8% coupon bonds (the “ <b>8% Coupon Bonds</b> ”)	HK\$200,000,000	HK\$200,000,000 due in October 2016
(vi) unsecured and unguaranteed 12% coupon bonds of the Company (the “ <b>12% Coupon Bonds</b> ”)	HK\$372,000,000	HK\$252,000,000 due in September 2016 (extended to 30 November 2016); HK\$120,000,000 due in August 2020
(vii) unsecured and guaranteed 10% convertible bonds of the Company (the “ <b>10% CB</b> ”)	HK\$77,505,000	HK\$77,505,000 due in June 2017
(viii) the Bridging Loan	HK\$170,000,000	HK\$170,000,000 repayable within one year
(ix) other loans and borrowings	HK\$143,018,000 (accrued interest included)	HK\$132,255,000 repayable within one year, HK\$10,763,000 repayable over one year

Considering the above table of total debts of the Group, the Company is in view that both drawdown of the second tranche ICBC Facility and the Rights Issue are important for the improvement of the current financial positions by reduction of shortly due and high interest bearing debts of the Group. The Company also considers that the Rights Issue allows the Group to improve the gearing ratio by enlarging its capital base in certain extent. In view of these, the timing of the drawdown of the second tranche ICBC Facility is considered not significantly affecting the capital demand of the Group or the scale of the Rights Issue under the scenarios that (i) if the Right Issue completion is to take place in November 2016 and the

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## LETTER FROM THE BOARD

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drawdown of ICBC Facility does not take place before the completion of the Rights Issue (“**Scenario 1**”); and (ii) if the Right Issue is to complete in November 2016 and the drawdown of ICBC Facility is to take place before the completion of the Rights Issue (“**Scenario 2**”).

Under Scenario 1, the net proceeds from the Rights Issue are intended to be applied in the repayment of (i) as to approximately HK\$279.8 million, the principal and interest of the 12% Coupon Bonds (due in 2016); (ii) as to approximately HK\$216 million, the principal and interest of the 8% Coupon Bonds (and the debts incurred for refinancing the principal and interest of the 8% Coupon Bonds (if any)); and (iii) as to the remaining balance amounting to approximately HK\$54.1 million, the Bridging Loan, within the coming twelve months upon the completion of the Rights Issue. Whereas under Scenario 2, the net proceeds from the Rights Issue are intended to be applied in the repayment of (i) as to approximately HK\$74.8 million, the principal and interest of the 12% Coupon Bonds; (ii) as to approximately HK\$367 million, the Bridging Loan (and the debts incurred for re-financing the principal and interest of the 8% Coupon Bonds (if any)); and (iii) as to the remaining balance amounting to approximately HK\$108.1 million, part or full of the principal and/or interest of the 12% Coupon Bonds (due in 2020), 7.5% Coupon Bonds and/or the 10% CB, within the coming twelve months upon the completion of the Rights Issue.

As stated in the section headed “F. Financial and Trading Prospects of the Group” in Appendix I to this circular, the Group’s finance lease company in the PRC will be in operation by end of 2016. The finance lease company will have a registered capital of US\$30 million to be paid up in stages. In order to develop this finance leasing business which the Company is optimistic on its business outlook as well as other businesses of the Group, notwithstanding the carrying out of the Rights Issue and the fallen through of the negotiations of financial proposals with the above mentioned five financial institutions, the Company continues negotiating with other financial institutions to explore different means to raise the necessary capital for the Group as and when appropriate for the development of the Group’s different line of businesses. The Company will make announcement as and when appropriate if any fund raising exercise is materialised in compliance with the Listing Rules.

### **POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS**

The Rights Issue may lead to adjustments to (i) the exercise price and/or the number of Shares to be issued upon exercise of the Share Options; and (ii) the conversion price and/or the number of Shares to be issued upon exercise of the conversion right under the Convertible Bonds. The Company will notify the holders of such share options, the holders of Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and the Convertible Bonds and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

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## LETTER FROM THE BOARD

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### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

The Rights Issue is conditional, *inter alia*, upon fulfillment of the conditions set out under the sub-section headed “Conditions of the Rights Issue” in the section headed “Proposed Rights Issue” above. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter’s right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save and except for (i) the issuance of the Convertible Bonds in the principal amount of US\$10 million (equivalent to approximately HK\$77.505 million) (details of which were set out in the announcement of the Company dated 23 December 2015) and; (ii) the proposed placement of the 11% convertible bonds with maximum principal amount up to HK\$300 million which has not yet been materialised (details of which were set out in the announcements of the Company dated 29 March 2016, 8 April 2016 and 22 April 2016), the Company has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

The net proceeds of approximately US\$9.5 million raised from the issuance of the Convertible Bonds in December 2015 has substantially been applied for repayment of the Group’s debt and the remaining has been used as general working capital of the Group.

### **LISTING RULES IMPLICATIONS**

The Authorised Share Capital Increase is conditional upon, among other things, the approval by the Shareholders by way of poll at the SGM. As none of the Shareholders has any material interest in the Authorised Share Capital Increase, no Shareholder is required to abstain from voting in favour of the resolution relating to the Authorised Share Capital Increase at the SGM.

In accordance with Rule 7.19(6) of the Listing Rules, as the completion of the Rights Issue would increase the existing issued share capital of the Company by more than 50%, the Rights Issue is conditional on, among other things, the approval by the Independent Shareholders at the SGM by way of poll.

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## LETTER FROM THE BOARD

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Pursuant to Rule 7.19(6)(a) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive (as defined under the Listing Rules) of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. Mr. Li, being a controlling shareholder of the Company, is interested in approximately 53.70% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Li and his associates (including Wealth Keeper) will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM in compliance with Rule 7.19(6) of the Listing Rules.

### **THE SGM**

The SGM will be convened and held for the Shareholders/Independent Shareholders (as the case may be) to consider and, if thought fit, approve, among other things, the Authorised Share Capital Increase and the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A notice convening the SGM to be held at 2:30 p.m. on Wednesday, 19 October 2016 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is enclosed with this circular.

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

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM and the Authorised Share Capital Increase becoming effective, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Friday, 28 October 2016 whereas the Prospectus will be despatched to the Prohibited Shareholders, if any, for information only.

### **RECOMMENDATION**

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.



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## LETTER FROM THE BOARD

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You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from Optima Capital set out on page 29 and pages 30 to 54 respectively of this circular. The Independent Board Committee, having taken into account the advice of Optima Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

Further, the Directors consider that the Authorised Share Capital Increase are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Authorised Share Capital Increase at the SGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Chinlink International Holdings Limited**  
**Mr. Li Weibin**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.*



CHINLINK

普匯中金

**CHINLINK INTERNATIONAL HOLDINGS LIMITED**

**普匯中金國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0997)**

3 October 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE RIGHTS SHARES FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE**

We refer to the circular dated 3 October 2016 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Optima Capital has been appointed as the independent financial advisor to advise you and us in this respect.

Having taken into account the advice and recommendation of Optima Capital as set out in its letter of advice to the Independent Shareholders and us on pages 30 to 54 of the Circular, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May, Ms. Chan Sim Ling, Irene**

*Independent Non-executive Directors*

\* *For identification purposes only*

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## LETTER FROM OPTIMA CAPITAL

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*The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in the Circular.*



Suite 1501, 15th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

3 October 2016

*To: The Independent Board Committee and the Independent Shareholders of Chinlink International Holdings Limited*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the Rights Issue. Details of the Rights Issue are contained in the circular to the Shareholders dated 3 October 2016 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 7 September 2016, the Company announced, among other things, that it proposed to raise not less than approximately HK\$558.3 million and not more than approximately HK\$588.5 million before expenses, by way of rights issue of not less than 13,958,384,095 Rights Shares and not more than 14,712,390,115 Rights Shares on the basis of five Rights Shares for every one Share held on the Record Date at the Subscription Price of HK\$0.04 per Rights Share payable in full on acceptance.

Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken to subscribe for 263,450,000 Rights Shares and 7,231,515,800 Rights Shares to which they are respectively entitled under the Rights Issue. The Rights Shares (other than those which will be provisionally allotted to Mr. Li and Wealth Keeper) will be fully underwritten by the Underwriter, on the terms and subject to the conditions of the Underwriting Agreement.

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## LETTER FROM OPTIMA CAPITAL

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In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the SGM. Mr. Li, being the controlling Shareholder, was beneficially interested in 1,498,993,160 Shares (of which 1,446,303,160 Shares were held by Wealth Keeper and 52,690,000 Shares were held by Mr. Li personally), representing approximately 53.70% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Li, Wealth Keeper and their respective associates are required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene, has been established to make a recommendation to the Independent Shareholders on whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation, we have reviewed, among other things, the annual reports of the Company for the years ended 31 March 2015 and 2016 and the information as set out in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (together, the "**Management**") and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the SGM. We have assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth, accuracy or completeness of the information provided. We have not, however, conducted any independent investigation into the business, affairs, financial position and taxation implications of the Group, nor have we carried out any independent verification of the information supplied. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional adviser without delay.

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## LETTER FROM OPTIMA CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

#### 1. Businesses of the Group

The Group is principally engaged in interior decoration works in Hong Kong and Macau, trading, provision of financing guarantee services, provision of logistics services, and property investment in the People's Republic of China (the "PRC"). Set out below is an analysis of the Group's revenue by its major business segments for the three years ended 31 March 2014, 2015 and 2016 as extracted from the annual reports of the Company:

	For the year ended 31 March					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Interior decoration works	111,930	73.8	140,362	55.6	16,538	8.2
Trading	18,214	12.0	72,488	28.7	113,388	56.3
Financing guarantee services	14,272	9.4	26,961	10.7	20,231	10.1
Logistics services	7,315	4.8	7,662	3.0	687	0.3
Property investment	-	-	-	-	44,888	22.3
Others	-	-	4,920	2.0	5,565	2.8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	151,731	100.0	252,393	100.0	201,297	100.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### *Interior decoration works*

The Group is engaged in the undertaking of interior decoration works principally to high-end commercial and residential customers in Hong Kong and Macau. This segment used to be a major revenue contributor of the Group, but business has been diminishing after the financial year of 2015 due to the strategic repositioning of the Group by putting more resources on developing financing business and property investment. According to the Management, majority of the revenue in 2015 and 2016 was generated from projects contracted in prior years, and there is limited number of new sizeable projects. Revenue from this segment dropped significantly from approximately HK\$140.4 million for the year ended 31 March 2015 to approximately HK\$16.5 million in 2016, representing only 8.2% of the total revenue for the year. The Group believes the operating environment of the interior decoration business will remain tough in the coming years.

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## LETTER FROM OPTIMA CAPITAL

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### *Trading*

Complementary to its interior decoration business, the Group had been engaged in the trading of furniture and fixtures. The Group used to provide procurement service of furniture and fixtures to its interior decoration customers when carrying out the decoration work. Tapping with the experience of the present management in trading of consumer goods and electronic components, the Group had expanded its trading business to consumer goods and electronic components, as a result of which revenue recorded by this segment increased significantly from approximately HK\$18.2 million for the year ended 31 March 2014 to approximately HK\$72.5 million for the year ended 31 March 2015. During the financial year ended 31 March 2016, the Group had further enriched the trading activities by introducing a new trading service known as “supply chain financing services”. This new trading service aims at assisting the customers, typically small and medium-sized enterprises (the “**SMEs**”), in their procurement activities. The Group purchases raw materials or goods from overseas and local suppliers for its SME customers and takes title of such raw materials or goods. The Group then sells the raw materials or goods to the SMEs at a marked-up price determined taking into account, among other things, the length of credit period allowed for the SMEs and the financing costs of the Group. As a result of the introduction of this new business model, revenue generated from this segment increased to approximately HK\$113.4 million for the year ended 31 March 2016, representing a 56.4% increase as compared to the preceding year.

### *Financing guarantee services*

Due to the inability to meet the asset-backed collateral requirement of commercial banks or to provide reliable credit records, SMEs in the PRC often encounter difficulties in accessing bank financing. The Group used to provide financing guarantee services to the SMEs for their bank borrowings by taking collaterals such as properties and/or accepting corporate/personal guarantees. As it evolved, the Group saw the opportunity to provide inventory financing to these SMEs and rolled out a new business model in 2014. The new business model, known as “inventory-as-collateral” operation, involves the SMEs pledging their inventories to the Group and the Group providing guarantees in favour of the banks providing credit lines to the relevant SMEs. The Group will receive guarantee fee from the SMEs based on the amount of guarantee provided. For those SMEs who pledge their inventories to the Group, the Group also provides logistics services to them, through which the Group is able to monitor the customers’ inventory levels and movements thereby managing its credit risk.

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## LETTER FROM OPTIMA CAPITAL

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### *Logistics services*

The Group has been providing logistics services to its customers since 2014. After the “inventory-as-collateral” business model was rolled out, the logistics services team also looked after the logistics services such as warehousing, inventory management and handling transportation for the SMEs which pledged their inventories to the Group. In these cases, nominal service fee would be charged to the financing guarantee services customers. Although the revenue generated from this business segment contributed an insignificant percentage to the total revenue of the Group in recent years, it remains a key component in the Group’s risk management system in monitoring the physical flow of the goods and inventory level of its customers for the financing guarantee services. This risk management system is considered to be effective as the collateral quality of the financing guarantee business remained satisfactory with zero default rate since its inception. The logistics services provided to the customers also enable the Group to capture trade and transaction data of its customers and explore new opportunities for the Group’s financing business. The drop in revenue for the year ended 31 March 2016 as compared to the preceding two years was mainly due to the expiry of a business contract with a major customer not related to the financing business.

### *Property investment*

In August 2015, the Company completed the acquisition (the “**Acquisition**”) of 100% of the issued share capital of E-Innovation Limited which indirectly held a 73.375% effective interest in Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) (“**Daminggong Centre**”). Daminggong Centre is positioned as a mart for trading of furniture, building materials and home improvement products in Xi’an. Majority of the tenants of Daminggong Centre are wholesalers and retailers of interior decoration materials and home improvement products. Daminggong Centre not only generates stable rental income and management fee to the Group but also broadens the customer base for other business segments of the Group in Shaanxi Province, namely logistics services, financing guarantee services and trading business. The revenue generated from this business segment for the year ended 31 March 2016 represented rental income and management fee of Daminggong Centre after the Acquisition.

The Group acquired a piece of land in Hanzhong City of Shaanxi Province, the PRC in 2014 and is developing a trade and logistics centre (“**Chinlink•Worldport**”) over the land. The Group has obtained the approval of the Hanzhong City government to set up a customs import bonded warehouse in Chinlink•Worldport. It has also entered into a letter of intent with Hantai District People’s Government of Hanzhong Municipality to co-develop a national Qinba Chinese herbal medicine trading base in Chinlink•Worldport. Construction of Phase I is expected to be completed and operation is expected to commence by the end of 2016.

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## LETTER FROM OPTIMA CAPITAL

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### 2. Financial performance of the Group

Set out below is a summary of the audited profit and loss of the Group for each of the three financial years ended 31 March 2014, 2015 and 2016 as extracted from the annual reports of the Company:

	<b>For the year ended 31 March</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	151,731	252,393	201,297
Cost of sales and services	(110,691)	(196,603)	(149,966)
	<hr/>	<hr/>	<hr/>
Gross profit	41,040	55,790	51,331
Other income, gains and (losses)	(8,186)	10,810	(2,875)
Gain on fair value change of investment properties	–	8,762	16,556
Gain on bargain purchase in acquisition of a subsidiary	–	–	309,966
Selling and distribution costs	(1,398)	(5,751)	(8,156)
Administrative expenses	(59,621)	(64,786)	(80,667)
Finance costs	(64,895)	(80,983)	(119,167)
	<hr/>	<hr/>	<hr/>
(Loss)/profit before taxation	(93,060)	(76,158)	166,988
Income tax credit/(income tax expense)	2,718	(4,031)	(7,928)
	<hr/>	<hr/>	<hr/>
(Loss)/profit for the year	<u>(90,342)</u>	<u>(80,189)</u>	<u>159,060</u>
(Loss)/profit for the year attributable to:			
– owners of the Company	(90,342)	(80,189)	157,663
– non-controlling interests	–	–	1,397
	<hr/>	<hr/>	<hr/>
Gross profit margin ( <i>Note i</i> )	27.0%	22.1%	25.5%
Net profit margin ( <i>Note ii</i> )	<u>(59.5%)</u>	<u>(31.8%)</u>	<u>79.0%</u>

*Notes:*

(i) Calculated by dividing gross profit by revenue.

(ii) Calculated by dividing profit/(loss) for the year by revenue.

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## LETTER FROM OPTIMA CAPITAL

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### *Financial year ended 31 March 2014*

The Group successfully rolled out the financing guarantee business introducing the “inventory-as-collateral” model during the year and it generated revenue for both logistics and financing guarantee services segments. Gross profit of the Group was approximately HK\$41.0 million for the year ended 31 March 2014, representing a gross profit margin of 27.0%. Other income, gains and losses mainly represented net foreign exchange loss of approximately HK\$5.1 million. After deducting selling and distribution costs of approximately HK\$1.4 million, administrative expenses of approximately HK\$59.6 million and finance costs of approximately HK\$64.9 million, the Group recorded a loss attributable to owners of the Company of approximately HK\$90.3 million for the year.

### *Financial year ended 31 March 2015*

The increase in revenue for the year ended 31 March 2015 when compared to the preceding year was mainly attributable to the increase in revenue from trading and financing guarantee services. Gross profit for the year also increased to approximately HK\$55.8 million. Other income for the year mainly represented interest income from the pledged deposits placed with the banks for the financing guarantee services. The Group also recognised a fair value gain on Chinlink•Worldport of approximately HK\$8.8 million. The selling and distribution costs increased in line with the expansion of the trading business while the increase in administrative expenses was due to higher staff cost and legal and professional fees incurred for the Group’s expansion. The finance costs were mainly incurred on the bonds issued to fund the development of the Group. Taking into account these selling and distribution costs, administrative expenses and finance costs, the Group recorded a loss attributable to owners of the Company of approximately HK\$80.2 million for the year ended 31 March 2015.

### *Financial year ended 31 March 2016*

The Group repositioned the business focus by putting more emphasis and resources on developing the supply chain financing business, financing guarantee services and property investment. The revenue growth of the trading and property investment segments compensated the drastically reduced revenue from interior decoration work business. The decrease in revenue of the financing guarantee services was mainly due to the decrease in the amount of pledged deposits placed with banks which provided lendings to the Group’s SME customers. Gross profit for the year was approximately HK\$51.3 million. Other losses for the year were mainly foreign exchange loss of approximately HK\$20.8 million, partly offset by interest income of approximately HK\$14.6 million. The Group also recorded a gain on the fair value change of Chinlink•Worldport and Daminggong Centre of approximately HK\$16.6 million. The increased selling and distribution costs were mainly due to the advertisement and promotion costs incurred for Daminggong Centre during the year. The increased administrative expenses were related to the staff cost, legal and professional fees incurred for the development of business and the Acquisition. Finance costs for the year increased mainly due to the issuance of the 12% coupon bonds to settle part of the consideration for the Acquisition. Despite the increased costs and expenses as explained above, the Group recognised a gain on bargain purchase of approximately HK\$310.0 million from the Acquisition in August 2015, which resulted in a profit attributable to the owners of the Company of approximately HK\$157.7 million for the year ended 31 March 2016.



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## LETTER FROM OPTIMA CAPITAL

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### *Overall*

The Group shifted its business focus from the traditional interior decoration business and furniture and fixture trading to the provision of supply chain financing and financing guarantee services since the financial year ended 31 March 2014. The new businesses are capital driven, in particular the financing guarantee business involves the Group placing pledged deposits with banks to secure the borrowings of the Group's clients. The new businesses had so far been funded substantially by borrowings. As you can see from the section headed "Financial position of the Group" below, the Group was heavily indebted with total borrowings of approximately HK\$1,624.0 million as at 31 July 2016. The high indebtedness level was principally due to the issuance of debt and convertible instruments in the financial year ended 31 March 2014 to finance the development of the financing business and in the financial year ended 31 March 2016 to finance the Acquisition. The substantial indebtedness of the Group resulted in significant finance costs. In our view, the results performance of the Group had reflected its inefficient capital structure, and the ability of the Group to scale up its business had been limited by the availability of sufficient funding.

### **3. Financial position of the Group**

#### *Financial position as at 31 March 2016*

Set out below is a summary of the audited consolidated assets and liabilities of the Group as at 31 March 2016 as extracted from the annual report of the Company:

	<b>As at 31 March 2016</b>
	<i>HK\$'000</i>
<b>Non-current assets</b>	
Property, plant and equipment	25,220
Investment properties	2,647,938
Intangible assets	3,946
Other receivables, deposits and prepayments	74,744
	<hr/>
	2,751,848
	<hr/>
<b>Current assets</b>	
Inventories	3,251
Trade and other receivables, deposits and prepayments	36,553
Loan receivables	77,381
Pledged bank deposits	235,206
Bank balances and cash	48,975
	<hr/>
	401,366
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## LETTER FROM OPTIMA CAPITAL

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**As at 31 March 2016**

*HK\$'000*

**Current liabilities**

Deferred revenue	2,057
Trade payables, other payables and accruals	67,964
Construction costs accruals	206,134
Receipts in advance and deposits received from tenants	56,717
Amounts due to related companies and a director	54,137
Bank and other borrowings	112,454
12% coupon bonds	430,506
8% coupon bonds	201,684
	<hr/>
	1,131,653
	<hr/>

**Non-current liabilities**

10% convertible bonds	66,683
Conversion option derivative embedded in convertible bonds	7,891
12% coupon bonds	128,380
7.5% coupon bonds	198,546
Bank and other borrowings	267,247
Deferred tax liabilities	200,917
Receipts in advance and other payables	40,087
	<hr/>
	909,751
	<hr/>

**Total Equity**

	1,111,810
	<hr/> <hr/>
Equity attributable to owners of the Company	697,755
Non-controlling interests	414,055
	<hr/>
	1,111,810
	<hr/> <hr/>

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## LETTER FROM OPTIMA CAPITAL

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As at 31 March 2016, the Group had total assets of approximately HK\$3,153.2 million, comprising non-current assets of approximately HK\$2,751.8 million and current assets of approximately HK\$401.4 million. The non-current assets of the Group mainly included investment properties of approximately HK\$2,647.9 million, which represented the land and properties of Daminggong Centre and Chinlink•Worldport. The current assets of the Group mainly included (i) pledge bank deposits of approximately HK\$235.2 million; (ii) loan receivables of approximately HK\$77.4 million; (iii) bank balance and cash of approximately HK\$49.0 million; and (iv) trade and other receivables, deposits and prepayments of approximately HK\$36.6 million. The pledge bank deposits represented deposits placed to certain banks as securities in return for the banks to provide loans to the Group's financing guarantee services customers.

As at 31 March 2016, the Group had total liabilities of approximately HK\$2,041.4 million, comprising non-current liabilities of approximately HK\$909.8 million and current liabilities of approximately HK\$1,131.7 million. The non-current liabilities of the Group mainly included (i) bank and other borrowings of approximately HK\$267.2 million; (ii) deferred tax liabilities of approximately HK\$200.9 million; (iii) 7.5% coupon bonds of approximately HK\$198.5 million; (iv) 12% coupon bonds of approximately HK\$128.4 million; and (v) convertible bonds together with the embedded conversion option derivative of approximately HK\$74.6 million. The current liabilities of the Group mainly included (i) 12% coupon bonds (the "**Short-term 12% Coupon Bonds**") of approximately HK\$430.5 million; (ii) construction cost accruals of approximately HK\$206.1 million which were mainly related to the construction of Chinlink•Worldport; (iii) 8% coupon bonds of approximately HK\$201.7 million; and (iv) bank and other borrowings of approximately HK\$112.5 million.

### *Indebtedness as at 31 July 2016*

As you can see from the section headed "Indebtedness" in Appendix I to the Circular, as at 31 July 2016, the Group had outstanding borrowings of approximately HK\$1,624.0 million, comprising (i) bank borrowings and overdrafts of approximately HK\$461.5 million; (ii) 12% coupon bonds with principal amount of HK\$372 million; (iii) 8% coupon bonds with principal amount of HK\$200 million; (iv) 7.5% coupon bonds with principal amount of HK\$200 million; (v) amounts due to directors and related companies of approximately HK\$207.7 million; (vi) convertible bonds with principal amount of approximately HK\$77.5 million; and (vii) other borrowings of approximately HK\$105.3 million. Set out below are details of the debts as at 31 July 2016 which will mature shortly:

Debts	Outstanding principal amount as at 31 July 2016 (Unaudited) <i>HK\$'000</i>	Issue date	Maturity date	Interest rate per annum
Short-term 12% Coupon Bonds	252,000	31-Aug-15	30-Sep-16 (extended to 30-Nov-16)	12% per annum
8% coupon bonds	(i) 71,000 (ii) 129,000	(i) 15-Oct-14 (ii) 31-Oct-14	(i) 15-Oct-16 (ii) 31-Oct-16	8% per annum

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## LETTER FROM OPTIMA CAPITAL

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### *Latest development*

Although the Group has a strong asset base with substantial investment properties, the Group has net current liabilities of approximately HK\$730.3 million as at 31 March 2016. In view of the fact that certain debts will be due shortly as described above, the Group is in need of capital for the repayment of or re-financing such debts. As disclosed in the announcement of the Company dated 13 June 2016, the Group has entered into a loan facility agreement with Industrial and Commercial Bank of China (Asia) Limited (“**ICBC**”), pursuant to which ICBC conditionally agreed to provide to a wholly-owned subsidiary of the Company a 3-year secured loan facility (the “**Facility**”) of up to HK\$630 million, of which (i) HK\$470 million was intended to be used for the repayment of debts; and (ii) HK\$160 million was intended to be used as general working capital for the development of supply chain financing business of the Group. The Facility is secured by certain storeys of Daminggong Centre and available for draw down in two tranches, of which (i) the first tranche is a term loan of HK\$175 million; and (ii) the second tranche is a combination of a term loan of HK\$295 million and a revolving facility of HK\$160 million.

The first tranche of the Facility was drawn down in June 2016, which has been applied to repay part of the Short-term 12% Coupon Bonds with principal amount of HK\$166 million and interest of HK\$9 million on 10 June 2016. The drawdown of the second tranche of the Facility (the “**Second Tranche Drawdown**”) will be subject to, among other things, certain storeys of Daminggong Centre other than those pledged for the first tranche of the Facility (the “**Second Tranche Collateral**”) being successfully pledged to ICBC.

We are advised by the Management that the Second Tranche Drawdown is delayed because the Second Tranche Collateral had previously been pledged to a PRC commercial bank (the “**PRC Bank**”) which has provided a facility (the “**PRC Loan**”) to the Group. The outstanding amount of the PRC Loan was RMB204 million as of 31 August 2016. Mr. Li and a PRC company controlled by him have provided bridging loans to the Company for the repayment of the PRC Loan to facilitate the release of the Second Tranche Collateral by the PRC Bank and pledging the same to ICBC. However, the processing time for release of the Second Tranche Collateral by the PRC Bank and the registration of the charge in respect of the Second Tranche Collateral had taken longer than the Company has expected. As at the Latest Practicable Date, the Second Tranche Collateral was yet to be released by the PRC Bank and hence the registration of the charge in favour of ICBC as well as the Second Tranche Drawdown had not been completed. The uncertainty in the timing of the Second Tranche Drawdown puts the Group into an unfavourable financial condition, as the Group is required to raise borrowings from other sources to repay the bonds that will fall due shortly. Notwithstanding that the imminent payment obligations under the bonds may be fulfilled by other sources of borrowings, the Group remains to be heavily indebted. In light of this, the Directors consider that it is necessary to raise equity capital for the Group to meet its financial obligations, improve the cash flow position and reduce interest burden of the Group.

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## LETTER FROM OPTIMA CAPITAL

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### 4. Prospects of the Group

According to the statistics released by the State Administration for Industry and Commerce of the PRC on 31 March 2014, SMEs contributed to about 60% of the gross domestic product in the PRC. However, SMEs are constantly facing funding shortages. In recent years, the policies of the PRC strongly encouraged the development of financing services provided by non-banking financial institutions in order to encourage the growth of SMEs and the private sector. The Directors believe that provision of financing to SMEs would present an enormous opportunity for the Group as it is an under-served market in the PRC, and the Group has gradually rolled out its plan to reposition itself as an integrated financing and logistics services provider.

The existing bank facilities available for the Group's supply chain financing business have been substantially utilised. The Second Tranche Drawdown of the Facility, if become available, will provide additional funding to support the expansion of the supply chain financing business. With the huge market demand for supply chain financing in both PRC and Hong Kong market, it is expected that supply chain financing can become a key contributor to the Group's revenue in the coming years provided that the Group could obtain sufficient resources to grow the business.

Apart from its supply chain financing business, in May 2015, the Group was approved by Shaanxi Provincial Department of Commerce to establish a finance lease company to carry out finance leasing business in the PRC. With the addition of finance leasing services, the Group will be able to provide comprehensive and customised financing solutions to cater for different funding needs of its customers. The registered capital of the finance lease company is US\$30 million which will be paid up by stages. The Group is considering different means, including the issuance of bonds or other financial instruments to raise the required capital for the finance lease company. The Group is also looking for potential investors to jointly develop the finance lease company which if materialised, will provide the Company with larger capital base and new business opportunities through the investors' respective business networks. The Management advised us that the Company will only proceed cautiously with commencing the finance lease operations if the economic merits thereof are justified.

As regards the investment in Chinlink•Worldport, the Group enjoys strong support from local government as evidenced by the approval granted by the Hanzhong City government to set up a customs import bonded warehouse in Chinlink•Worldport. In October 2015, it also entered into a letter of intent with Hantai District People's Government of Hanzhong Municipality to co-develop a national Qinba Chinese herbal medicine trading base in Chinlink•Worldport. The Group expects that Chinlink•Worldport will become a regional trade and logistics hub with comprehensive facilities equipped in the area. It will be a showcase for the Group's unique business initiative of an integrated finance, logistics and business operations linking buyers and sellers under its comprehensive financing platform. It is expected that majority of the tenants of Chinlink•Worldport are SMEs specialised in wholesale and distribution of building and construction materials. The Management believes these tenants will have huge demand for working capital financing and the Group will be able to expand its financing guarantee services and supply chain financing business on top of property leasing business.

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## LETTER FROM OPTIMA CAPITAL

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The Directors are positive about the business prospects of the Group and believe that the repositioning to an integrated financing and logistics services provider as described above is in the interests of the Group and the Shareholders as a whole. The growth of the Group is currently limited by the availability of sufficient capital. In our view, the Group needs to be relieved from its heavily indebted financial position in order to make its way to profitability. The substantial recapitalisation of the Group by way of the Rights Issue will give a healthier capital structure to the Group to build a critical mass for its SMEs financing business and therefore a more sustainable growth of its business.

### 5. Principal terms of the Rights Issue

The table below summarises the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.04 per Rights Share
Number of Rights Shares to be issued under the Rights Issue	:	Not less than 13,958,384,095 Rights Shares (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) and not more than 14,712,390,115 Rights Shares (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date)
Gross amount to be raised	:	Approximately HK\$558.3 million (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) to HK\$588.5 million (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date)
Underwriter	:	Emperor Securities will fully underwrite the Rights Issue of not less than 6,463,418,295 Rights Shares and not more than 7,217,424,315 Rights Shares, having taken into account the Irrevocable Undertakings from Mr. Li and Wealth Keeper and assuming no Shares will be issued or repurchased by the Company on or before the Record Date
Underwriting commission	:	2% of the aggregate Subscription Price of the maximum number of Rights Shares underwritten by Emperor Securities

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## LETTER FROM OPTIMA CAPITAL

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For those Qualifying Shareholders who do not wish to participate in the Rights Issue, they are allowed to dispose of their nil-paid Rights Shares in the market. If the Shareholders are optimistic about the prospects of the Group, they may submit excess applications to increase their shareholding in the Company. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to the Qualifying Shareholders who have applied for excess Rights Shares.

The Rights Issue is subject to the approval of the Independent Shareholders at the SGM and is conditional upon, among other things, the Authorised Share Capital Increase having become effective and the Underwriter not exercising its rights as set out in the Underwriting Agreement to terminate the Rights Issue. The conditions of the Rights Issue are set out in the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in the letter from the Board contained in the Circular.

### **6. Reasons for and benefits of the Rights Issue and intended use of proceeds**

As mentioned in the section headed "Financial position of the Group" above, the Group had total liabilities amounting to approximately HK\$2,041.4 million as at 31 March 2016, of which approximately HK\$1,131.7 million are current liabilities. The Company has repaid part of the Short-term 12% Coupon Bonds with principal amount of HK\$166 million on 10 June 2016. The due date of the remaining outstanding principal of the Short-term 12% Coupon Bonds of HK\$252 million is extended to 30 November 2016. The 8% coupon bonds with outstanding principal amount of HK\$71 million and HK\$129 million will be due on 15 October 2016 and 31 October 2016 respectively. Excluding the pledged bank deposits, the Group had bank balances and cash of HK\$49.0 million as at 31 March 2016, which is not sufficient to fully repay these two bonds when they fall due.

In the event that the Second Tranche Drawdown of the Facility takes place before completion of the Rights Issue, the Group will repay HK\$205 million and HK\$74.8 million of the Short-term 12% Coupon Bonds including interest by the Facility and the proceeds from the Rights Issue respectively, and repay the 8% coupon bonds by loans from Mr. Li or other re-financing sources. If the Second Tranche Drawdown does not take place before completion of the Rights Issue, the Group will repay the Short-term 12% Coupon Bonds by the proceeds from the Rights Issue, and repay the 8% coupon bonds by loans from Mr. Li or other re-financing sources. Notwithstanding that the imminent payment obligations under the bonds may be fulfilled by the aforesaid sources, the Group is still heavily indebted and requires new capital to restructure its financial position and to support its business development.

The Directors have been using their best endeavors to explore different means to resolve the capital needs of the Company. As disclosed in the announcements of the Company dated 29 March 2016, 8 April 2016 and 22 April 2016, the Company entered into a placing agreement with a placing agent to place convertible bonds in the principal amount of up to HK\$300 million on a best effort basis. The placing agreement lapsed and no convertible bond was placed by the placing agent. As stated in the letter from the Board contained in the Circular, the Directors have also approached five different financial institutions for potential fund raising activities in order to fulfill the imminent need of capital. However, the available proposals offered to the Company were limited and involved high funding costs or requested the Group to charge its assets as security which were not desirable to the Company and not in the best interest of the Company and the Shareholders as a whole. Besides, the timing of the Second Tranche Drawdown of the Facility is still uncertain.



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## LETTER FROM OPTIMA CAPITAL

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In view of the above, the Directors consider that the Rights Issue is a preferred means for the Group to relieve its currently unfavourable financial condition after taking into account the costs and benefits of different types of fund raising alternatives explored by the Group. The Directors also consider that the Rights Issue is an opportunity for the Company to restructure its financial position to lower its gearing ratio and interest burden.

The gross proceeds and net proceeds from the Rights Issue will be approximately HK\$558.3 million and HK\$549.9 million respectively (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date) or approximately HK\$588.5 million and HK\$580.1 million respectively (assuming full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date). It is stated in the letter from the Board contained in the Circular that the net proceeds of the Rights Issue are intended to be applied for repayment of the outstanding debts of the Group within the coming twelve months after completion of the Rights Issue.

### **7. Analysis performed on the terms of the Rights Issue**

#### *Subscription Price*

The Subscription Price is HK\$0.04 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 66.10% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 76.19% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 75.61% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.164 per Share;
- (iv) a discount of approximately 34.43% to the theoretical ex-rights price of approximately HK\$0.061 per Share based on the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 24.53% to the theoretical ex-rights price of approximately HK\$0.053 per Share based on the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and



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## LETTER FROM OPTIMA CAPITAL

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- (vi) a discount of approximately 84.0% to the audited consolidated net asset value per Share of approximately HK\$0.250 as at 31 March 2016 (which is calculated based on the equity attributable to the owners of the Company as at 31 March 2016 of approximately HK\$697.8 million and 2,791,676,819 Shares as at that date).

The net subscription price per Rights Share is approximately HK\$0.039.

### *Review of historical Share price performance*

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1 October 2015 (approximately 12 months prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the “**Review Period**”) are shown in the table below:

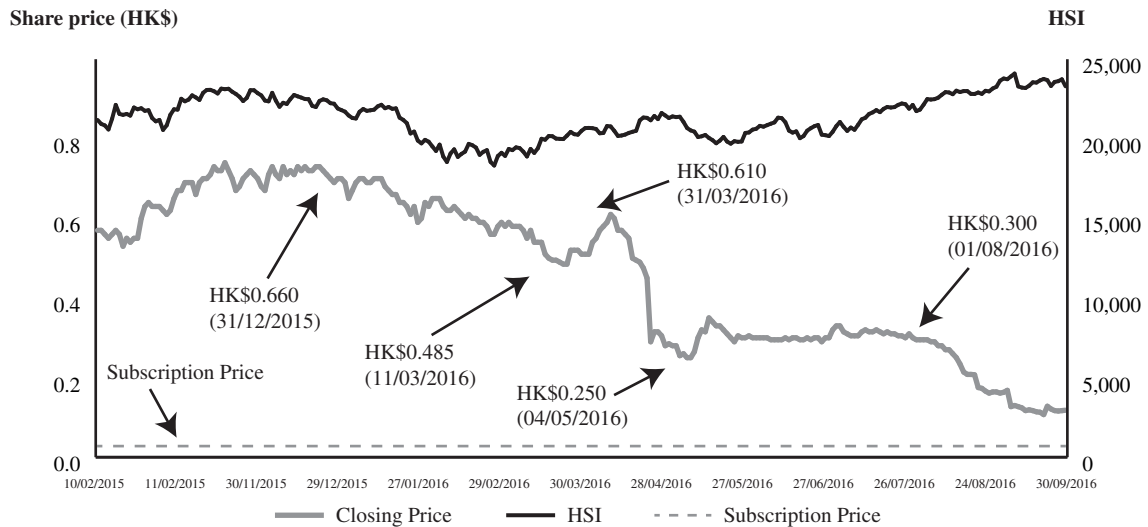
<b>Month</b>	<b>Highest closing price HK\$</b>	<b>Lowest closing price HK\$</b>
<b>2015</b>		
October	0.740	0.620
November	0.730	0.670
December	0.730	0.650
<b>2016</b>		
January	0.650	0.590
February	0.600	0.540
March	0.610	0.485
April	0.600	0.255
May	0.350	0.250
June	0.330	0.290
July	0.330	0.300
August	0.300	0.160
September (up to and including the Latest Practicable Date)	0.168	0.107

*Source: website of the Stock Exchange*

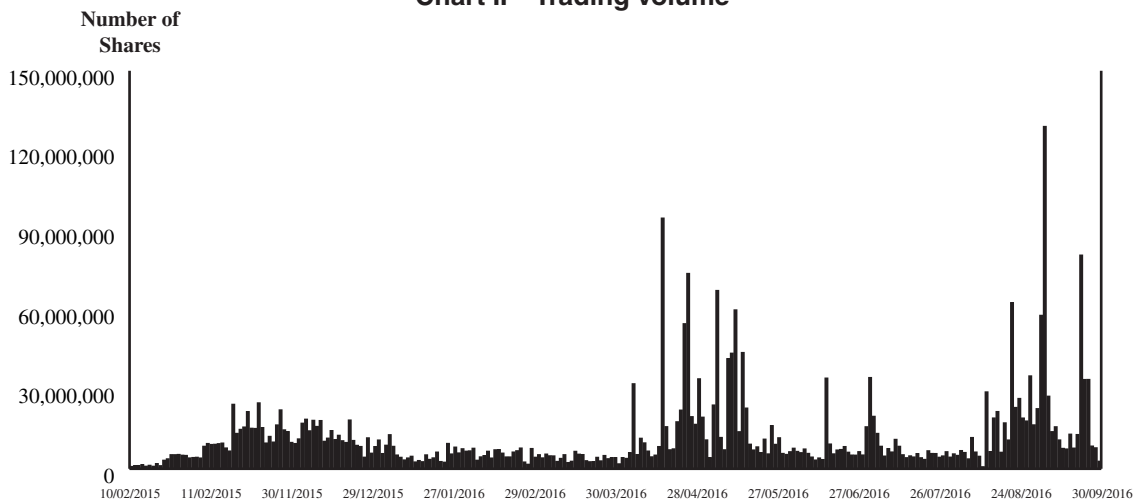
## LETTER FROM OPTIMA CAPITAL

During the Review Period, the highest and lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.74 per Share recorded on 26 October 2015 and HK\$0.107 per Share recorded on 22 September 2016 respectively. The Subscription Price represents a discount of approximately 94.6% to the highest closing price and a discount of approximately 62.6% to the lowest closing price of the Shares respectively. The charts below illustrate the closing prices of the Shares against the movement of Hang Seng Index (“HSI”), and the trading volume as quoted on the Stock Exchange during the Review Period:

**Chart I – Share price and HSI**



**Chart II – Trading volume**



*Source: website of the Stock Exchange and Bloomberg*

## LETTER FROM OPTIMA CAPITAL

We note that the fluctuation in the Share price during 1 October 2015 to 31 December 2015 was generally in line with that of the HSI. On 31 December 2015, the Company announced that the bondholder has agreed to extend the maturity date of the 12% bond with outstanding principal amount of the HK\$418 million from 31 December 2015 to 31 March 2016. Following this announcement, the Share price gradually went downwards from HK\$0.660 per Share on 31 December 2015 to HK\$0.485 on 11 March 2016.

The share price picked up some momentum in line with the HSI and rose to HK\$0.610 on 31 March 2016. In light of the funding need, the Company announced on 29 March 2016 the proposed placing of convertible bonds in the principal amount of up to HK\$300 million on a best endeavors basis. After this announcement, the Share price dropped sharply and bottomed at HK\$0.250 on 4 May 2016. Thereafter, the Shares were traded within a narrow price range while the HSI was on an upward trend. Since 1 August 2016, the Share price dropped again and on 7 September 2016, the Company published the announcement of the Rights Issue. Share price further dropped to HK\$0.118 as at the Latest Practicable Date.

### *Liquidity of the Shares*

The following table sets out the total turnover per month, average daily turnover during the month, total trading volume per month and average daily trading volume during the month of the Shares during the Review Period:

Month	Total monthly turnover of the Shares (HK\$)	Average daily turnover of the Shares during the month (HK\$)	Total monthly trading volume of the Shares	Average daily trading volume of the Shares during the month	% of average daily trading volume of the Shares to the total issued Shares (Note 1)	% of average daily trading volume of the Shares to the total public float (Note 2)
<b>2015</b>						
October	181,985,500	9,099,275	261,740,000	13,087,000	0.47	1.01
November	212,568,130	10,122,292	298,453,000	14,212,048	0.51	1.10
December	98,597,660	4,481,712	142,652,000	6,484,182	0.23	0.50
<b>2016</b>						
January	71,959,450	3,597,973	116,190,000	5,809,500	0.21	0.45
February	48,486,700	2,693,706	84,240,000	4,680,000	0.17	0.36
March	68,514,700	3,262,605	126,900,000	6,042,857	0.22	0.47
April	185,870,270	9,293,514	512,990,000	25,649,500	0.92	1.98
May	106,992,590	5,094,885	353,630,000	16,839,524	0.60	1.30
June	58,547,050	2,787,955	190,390,000	9,066,190	0.32	0.70
July	43,534,800	2,176,740	138,610,000	6,930,500	0.25	0.54
August	65,859,964	2,993,635	302,676,000	13,758,000	0.49	1.06
September (up to and including the Latest Practicable Date)	71,495,660	3,404,555	562,211,960	26,771,998	0.96	2.07

Source: website of the Stock Exchange and Bloomberg

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## LETTER FROM OPTIMA CAPITAL

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Notes:

(1) Based on 2,791,676,819 Shares in issue as at the Latest Practicable Date.

(2) Based on 1,292,683,659 Shares held in public hands as at the Latest Practicable Date.

We note from the above table that trading volume of the Shares was generally thin during the Review Period, where the percentages of average daily trading volume of the Shares to the total issued Shares and the total public float were mostly below 1% and 2% respectively, despite the trading volume increased significantly in April 2016 and September 2016. Given the thin liquidity of the Shares, we consider that it may be difficult for the Company to pursue other sizeable equity financing alternatives in the market such as placing of Shares or convertible bonds.

### 8. Financial effects of the Rights Issue on the Group

#### *Net tangible assets*

The audited consolidated net tangible asset value (“**NTAV**”) of the Group was approximately HK\$693.8 million as at 31 March 2016, equivalent to approximately HK\$0.25 per Share based on 2,791,676,819 Shares in issue as at 31 March 2016.

An unaudited pro forma statement of adjusted consolidated NTAV of the Group attributable to the Shareholders of the Company as if the Rights Issue had taken place on 31 March 2016 is set out in Appendix II to the Circular (the “**Statement**”). Based on the Statement, upon completion of the Rights Issue, (i) assuming the minimum number of 13,958,384,095 Rights Shares are issued, the unaudited pro forma adjusted consolidated NTAV of the Group would become approximately HK\$1,243.7 million, equivalent to approximately HK\$0.0743 per Share; and (ii) assuming the maximum number of 14,712,390,115 Rights Shares are issued, the unaudited pro forma adjusted consolidated NTAV of the Group would become approximately HK\$1,273.9 million, equivalent to approximately HK\$0.0722 per Share.

#### *Gearing and liquidity*

As at 31 March 2016, the Group had total assets of approximately HK\$3,153.2 million and total liabilities of approximately HK\$2,041.4 million. The gearing ratio of the Group (being the percentage of total liabilities to total assets) was approximately 64.7%.

The net proceeds from the Rights Issue will be approximately HK\$549.9 million (assuming no exercise of the Vested Share Options and Convertible Bonds on or before the Latest Lodging Date). They are intended to be applied for the repayment of the debts of the Company. Based on the total assets and total liabilities of the Group as at 31 March 2016 and assuming the entire amount of the net proceeds are used to repay debts, the total assets of the Group would remain at approximately HK\$3,153.2 million while the total liabilities of the Group would be reduced to approximately HK\$1,491.5 million. The gearing ratio of the Group will improve to approximately 47.3%.

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## LETTER FROM OPTIMA CAPITAL

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### **9. Our view on the scale and Subscription Price of the Rights Issue**

The Group is heavily indebted and recorded net current liabilities of approximately HK\$730.3 million as at 31 March 2016. The business performance and development of the Group was hindered by the high gearing position, resulting in significant finance cost which had aggravated the operational losses of the Group when it was developing new spheres of business to capture a new niche in the SME financing business. As stated in the letter from the Board contained in the Circular, the Board had approached five different financial institutions for potential fund raising activities. The only available proposals offered to the Company were in relation to placing of bonds and/or convertible bonds. We consider that debt financing will result in additional interest burden and higher gearing ratio for the Group, which will not improve the financial position of the Group and is not in the interests of the Company and the Shareholders as a whole. Given this, we concur with the Management that equity financing is a more preferred means for the Group to relieve its currently unfavourable financial condition. Having considered that (i) private placing of new Shares will not be open to all Qualifying Shareholders and therefore will result in dilution of the shareholding interests of existing Shareholders; and (ii) open offer will not provide the exit opportunity to those Qualifying Shareholders who do not wish to take up their entitlements and wish to sell their nil-paid rights entitlements instead, we concur with the Management that the Rights Issue is in the interests of the Company and Shareholders as a whole.

We note that the Subscription Price represents a significant discount to prevailing market price of the Shares and the net asset value per Share. Although the Group is asset-heavy with substantial investment properties, the Group has net current liabilities and certain debts will be due shortly. The Group is in need of capital to meet its financial obligations and the Rights Issue is able to raise immediate cash in a significant amount to the Group. We are advised by the Management that the Subscription Price is the best offer available to the Company for acceptance of underwriting invitation in the market.

As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to their existing shareholdings in the Company held on the Record Date, the discount of the Subscription Price can encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company. For those Qualifying Shareholders who do not wish to participate in the Rights Issue, they will be offered the opportunity, subject to market conditions, to dispose of their nil-paid Rights Shares in the market for economic benefits to compensate their dilution in shareholdings resulted from the Rights Issue. For the dilution impact of the Rights Issue, please refer to section headed "Potential dilution effect on the existing Shareholders" below.

In light of the above, we consider the scale of the Rights Issue and the Subscription Price are fair and reasonable.

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## LETTER FROM OPTIMA CAPITAL

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### 10. Potential dilution effect on the existing Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding of Qualifying Shareholders who take up their entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they may take up their entitlements, their shareholding interests will be diluted upon completion of the Rights Issue by a maximum of approximately 83.33%.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue under various scenarios:

- (i) Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue		Assuming only Mr. Li and Wealth Keeper have taken up their Rights Shares entitlement and the Underwriter has taken up all the Underwritten Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Li (Note 1)	52,690,000	1.89	316,140,000	1.89	316,140,000	1.89
Wealth Keeper (Note 2)	1,446,303,160	51.81	8,677,818,960	51.81	8,677,818,960	51.81
Sub-total	1,498,993,160	53.70	8,993,958,960	53.70	8,993,958,960	53.70
The Underwriter (Note 3)	-	-	-	-	6,463,418,295	38.59
Other Public Shareholders	1,292,683,659	46.30	7,756,101,954	46.30	1,292,683,659	7.71
Total	<u>2,791,676,819</u>	<u>100.00</u>	<u>16,750,060,914</u>	<u>100.00</u>	<u>16,750,060,914</u>	<u>100.00</u>

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- (ii) Assuming Shares are issued upon the exercise of the Remaining Share Options and the conversion rights attached to the Convertible Bonds in full on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date:

	As at the Latest Practicable Date		Immediately before completion of the Rights Issue assuming Shares are issued upon the exercise of the subscription rights attached to the Remaining Share Options and the conversion rights attached to the Convertible Bonds in full, on or before the Latest Lodging Date		Immediately after completion of the Rights Issue		Assuming all Shareholders have taken up the Rights Shares		Assuming only Mr. Li and Wealth Keeper have taken up their Rights Shares entitlement and the Underwriter has taken up all the Underwritten Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Li (Note 1)	52,690,000	1.89	52,690,000	1.79	316,140,000	1.79	316,140,000	1.79	316,140,000	1.79
Wealth Keeper (Note 2)	1,446,303,160	51.81	1,446,303,160	49.15	8,677,818,960	49.15	8,677,818,960	49.15	8,677,818,960	49.15
Sub-total	1,498,993,160	53.70	1,498,993,160	50.94	8,993,958,960	50.94	8,993,958,960	50.94	8,993,958,960	50.94
Other Directors (Note 4)	-	-	14,800,000	0.50	88,800,000	0.50	14,800,000	0.08	14,800,000	0.08
The Underwriter (Note 3)	-	-	-	-	-	-	7,217,424,315	40.88	7,217,424,315	40.88
Other Public Shareholders	1,292,683,659	46.30	1,428,684,863	48.55	8,572,109,178	48.55	1,428,684,863	8.09	1,428,684,863	8.09
<b>Total</b>	<b>2,791,676,819</b>	<b>100.00</b>	<b>2,942,478,023</b>	<b>100.00</b>	<b>17,654,868,138</b>	<b>100.00</b>	<b>17,654,868,138</b>	<b>100.00</b>	<b>17,654,868,138</b>	<b>100.00</b>

*Notes:*

- (1) Mr. Li is an executive Director.
- (2) Wealth Keeper is 100% beneficially owned by Mr. Li.
- (3) In circumstances where the Rights Issue has become unconditional and the Underwriter is obliged to take up all its commitment to the relevant number of Underwritten Shares in accordance with the Underwriting Agreement, its underwriting commitment would amount to a stake from approximately 38.59% to 40.88% (as the case may be) of the share capital of the Company as enlarged by the issue of the Rights Shares. The Underwriter confirmed to the Company that it has entered into sub-underwriting agreements with sub-underwriters to sub-underwrite its underwriting obligation as to 3,550,000,000 Rights Shares in aggregate and that each sub-underwriter's underwriting commitment would account for less than 10% of the issued share capital of the Company immediately after completion of the Rights Issue. Moreover, the Underwriter has undertaken in the Underwriting Agreement that it will use its best endeavour to procure that each of the ultimate subscribers or purchasers of the untaken Rights Shares procured by it or its sub-underwriter will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate of 10% or more of the voting rights of the Company immediately after the Rights Issue.
- (4) The Directors are Mr. Siu Wai Yip, Ms. Lam Suk Ling, Shirley, Mr. Lau Chi Kit, Ms. Fung Sau Mui, Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.

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## LETTER FROM OPTIMA CAPITAL

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We consider the possible dilution effect on the existing Shareholders to be acceptable having taken into account the following factors: (i) the Group is in need of capital to meet its financial obligations comprising current debts of approximately HK\$1,199 million as at 31 July 2016 and the proceeds from the Rights Issue are intended to be applied for the repayment of outstanding debts of the Group. The Rights Issue can raise immediate cash in a significant amount to the Group which can improve the cash flow position of the Group and reduce the future finance cost after repayment of the debts; (ii) the substantial recapitalisation of the Group by way of the Rights Issue will give a healthier capital structure of the Group, with gearing ratio of the Group improving from approximately 64.7% to approximately 47.3%, to substantiate the growth of its business, and the Shareholders will benefit from the growth of the Group; (iii) if the Company is not able to raise new capital to repay the outstanding debts, it will put the Group into a more unfavourable financial condition and constrain the growth of its business, which is not in the interests of the Company and the Shareholders as a whole; (iv) all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company under the terms of the Rights Issue; (v) the Qualifying Shareholders who do not want to take up their provisional allotments will be offered the opportunity, subject to market conditions, to sell their nil-paid Rights Shares in the market for economic benefits to compensate the dilution in shareholding; and (vi) the Independent Shareholders have veto right on the Rights Issue.

### DISCUSSION AND ANALYSIS

The Company proposes to raise not less than approximately HK\$549.9 million after expenses by way of the Rights Issue on the basis of five (5) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.04 per Rights Share, payable in full on acceptance. The extent of Independent Shareholders' dilution if they do not take up their entitlements to the Rights Shares is up to a maximum of 83.33%. In this regard, the Rights Issue may be regarded as a "heavy" call on Shareholders. Notwithstanding this, we can see that such call, as it is resulted from a substantial need for new equity capital to address the liquidity issue currently faced by the Group, is justifiable and equitable to all Shareholders.

We have discussed with the Management on the future prospects of the Group and the Management has a positive outlook for the longer term of the businesses of the Group due to the factors as mentioned in the section headed "Prospects of the Group" above.

We concur with the Directors' strategy to raise new equity substantial enough at this stage by means of the Rights Issue. Debt refinancing would not resolve and relieve the Group's current interest burden and repayment obligations when they fall due. The Rights Issue will raise net proceeds of not less than HK\$549.9 million and, as set out above, following completion of the Rights Issue and on an illustrative basis, would improve the gearing ratio from 64.7% to approximately 47.3% with the repayment of certain debts utilising the net proceeds from the proposed Rights Issue. If the Company is able to raise the capital and repay certain debts in the coming months, the interest burden of the Group will be alleviated which will give a positive impact to the financial performance of the Group.



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## LETTER FROM OPTIMA CAPITAL

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To demonstrate the support in the Company's long term future, Mr. Li and Wealth Keeper, being controlling Shareholders beneficially interested in an aggregate of 1,498,993,160 Shares (of which 1,446,303,160 Shares were held by Wealth Keeper and 52,690,000 Shares were held by Mr. Li personally), had executed the Irrevocable Undertakings to take up their respective entitlements to the Rights Shares under the Rights Issue. The remaining Rights Shares have been fully underwritten by the Underwriter at arm's length commission rate. The Rights Issue provides the Qualifying Shareholders with a means of ensuring that their percentage shareholding in the Company will not be diluted. The Shareholders who are optimistic about the prospects of the Group may take advantage of the excess application mechanism to increase their shareholding in the Company at a discount to the current market price before any underwriting obligation of the Underwriter is called upon.

The Subscription Price of HK\$0.04 represents a discount of approximately 24.53% to the theoretical ex-rights price of approximately HK\$0.053 per Share based on the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date. Any Shareholders who do not wish to contribute more to the capital of the Company may sell their nil-paid Rights Shares in the market. Those wishing to do so should note that on the basis of the expected timetable, trading in nil-paid Rights Shares will take place from 1 November 2016 to 8 November 2016.

We are advised by the Management that the Company has been continuing to negotiate with other financial institutions to explore different means to raise necessary capital for the development of the Group's different lines of business. Nevertheless, in view of the uncertainty on the outcome of such negotiations, we have not taken into account other possible fund raising in formulating our opinion.

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## LETTER FROM OPTIMA CAPITAL

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### OPINION

Based on the above principal factors and reasons and in view of the capital demand to reduce the debts of the Group, we are of the view that the terms of the Rights Issue are reasonable under the circumstances. We consider that the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable to the Independent Shareholders and that the proposed Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Beatrice Lung**  
*Managing Director*

*Ms. Beatrice Lung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Lung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.*

**A. THREE-YEAR FINANCIAL INFORMATION**

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in pages 73 to 188 of annual report 2013/2014, pages 80 to 211 of annual report 2014/2015 and pages 89 to 263 of the annual report 2015/2016 of the Company respectively.

The said annual reports of the Company are available on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([http://www.chinlinkint.com/en\\_US/index.html](http://www.chinlinkint.com/en_US/index.html)).

**B. INDEBTEDNESS**

As at the close of business on 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings comprise the following:

	<i>HK\$'000</i>
Bank borrowings, secured and guaranteed	449,442
Bank borrowings, unsecured and guaranteed	5,854
Bank overdraft, secured and guaranteed	6,199
Amounts due to Company's former subsidiaries, unsecured and unguaranteed	9,536
Amounts due to related companies, unsecured and unguaranteed	37,568
Other borrowings, unsecured and unguaranteed	88,791
Loans from staff of the Group, unsecured and unguaranteed	5,008
7.5% coupon bonds of the Company, unsecured and unguaranteed	200,000
8% coupon bonds of the Company, unsecured and unguaranteed	200,000
12% coupon bonds of the Company, unsecured and unguaranteed	372,000
10% convertible bonds of the Company, unsecured and guaranteed	77,505
Obligations under finance leases, secured and unguaranteed	1,995
Amounts due to directors, unsecured and unguaranteed	170,120

**Bank borrowings**

As at 31 July 2016, the bank borrowings of approximately HK\$449,442,000 of the Group were secured by:

- a) investment properties of the Group located in the PRC; and
- b) properties, plant and equipment of the Group.

As at 31 July 2016, the finance lease obligation of approximately HK\$1,995,000 of the Group was secured by the lessor's charge over the leased assets of the Group.

**Contingent liabilities**

As at 31 July 2016, the Group has entered into agreements with banks and other lenders in respect of its financing guarantee services to provide corporate guarantees with respect to bank loans granted to independent third parties and related companies. The maximum liabilities of the Group as at 31 July 2016 under these guarantees is approximately HK\$367,046,000 and such guarantees were secured by pledged bank deposit of the Group of approximately HK\$233,756,000.

**Disclaimer**

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as of 31 July 2016, any other debt securities issued and outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, finance lease obligations, mortgages, charges, guarantees or other material contingent liabilities.

**C. WORKING CAPITAL**

After taking into account the Group's:

- (i) internal financial resources;
- (ii) present available banking facilities;
- (iii) estimated net proceeds of approximately HK\$550 million from the Rights Issue by November 2016;

- (iv) loans from Mr. Li and a company controlled by Mr. Li totaling approximately HK\$270 million pursuant to the loan agreements entered into between the Company and these parties on 16 June 2016 and 1 September 2016 respectively; and
- (v) conditional second tranche of banking facility from Industrial and Commercial Bank of China (Asia) Limited as set out under the section headed “Material Contracts” in Appendix III to this circular,

the Directors are of the opinion that the Group will have sufficient working capital for at least twelve months from the Latest Practicable Date to meet its present requirements in the absence of unforeseen circumstances.

#### **D. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **E. BUSINESS AND FINANCIAL REVIEW**

Revenue of the Group for the year ended 31 March 2016 was approximately HK\$201.3 million against approximately HK\$252.4 million for the year ended 31 March 2015. The Group's total comprehensive income for the year ended 31 March 2016 was approximately HK\$151.4 million (total comprehensive expense for the year ended 31 March 2015: approximately HK\$81.7 million). Consolidated profit for the year ended 31 March 2016 was approximately HK\$159.1 million (consolidated loss for the year ended 31 March 2015: approximately HK\$80.2 million), which comprised gross profit of approximately HK\$51.3 million (for the year ended 31 March 2015: approximately HK\$55.8 million), other expense, gain and losses of approximately HK\$2.9 million (other income, gain and losses for the year ended 31 March 2015: approximately HK\$10.8 million), selling expenses of approximately HK\$8.2 million (for the year ended 31 March 2015: approximately HK\$5.8 million), administrative expenses of approximately HK\$80.7 million (for the year ended 31 March 2015: approximately HK\$64.8 million), finance costs of approximately HK\$119.2 million (for the year ended 31 March 2015: approximately HK\$81.0 million), gain on fair value change of investment properties of approximately HK\$16.6 million (for the year ended 31 March 2015: gain of approximately HK\$8.8 million), gain on bargain purchase in acquisition of a subsidiary of approximately HK\$310.0 million (for the year ended 31 March 2015: HK\$ nil) and income tax expense of approximately HK\$7.9 million (for the year ended 31 March 2015: HK\$4.0 million).

**F. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group would continue to derive its competitive advantages from strategic geographical focus and unique positioning. The existing business operations and investments are mainly in Shaanxi Province with a major focus in Xi'an City, the capital of the Province. Under the "Open Up the West" and the "One Belt, One Road" economic development plans, Xi'an City is a designated growth centre to drive the transformation of China's under-developed western region into a national economic pole. The Group is expected to be benefited from this transformation process because of its early establishment in Shaanxi Province, its local market knowledge and business network. The Group also enjoys strong support from local government as evidenced by the approval granted by the government of Hanzhong City to set up a custom import bonded warehouse and the Qinba Chinese Herbal Medicine Trading Centre in Chinlink•Worldport.

Another major competitive advantage of the Group is its unique positioning in alternative finance service for SMEs through an integrated financing platform, offering financing guarantee, finance leasing, supply chain finance and logistics services. The Group's objective is to offer better funding channels for the SMEs who are deprived of traditional bank credit. SMEs have been the backbone of China's economic development, however, they often find difficulties in gaining necessary funding through regular banking channels, due to the small loan size which is not justified with the approval efforts, low credit quality, lack of financial transparency and insufficient collaterals acceptable to banks. Through the Group's unique risk management system in combining supply chain finance and logistics, the Group is able to mitigate these fundamental credit weaknesses and continue to provide financial assistance to these SMEs, even under the current slow economic environment.

The Group has earmarked two major growth areas for its finance business, namely supply chain finance and finance leasing. Supply chain finance serves to optimise the management of capital and liquidity tie-up in supply chain process for its clients. Financing are short term transaction base and self-liquidating, and the Group's logistics operation would provide visibility into the transaction and control on the underlying goods and inventory as collaterals. The Group possesses good client resources through partnering with the trade and logistics centres in Xi'an City and its self-owned soon to open Chinlink•Worldport in Hanzhong City. These clients are mostly SMEs specialised in wholesale and distribution of building and construction materials who have substantial portion of their capitals tied-up in stocks and receivables and hence have huge needs for working capital finance which favours the development of the Group's supply chain finance business. In Hong Kong and Shenzhen City, the Group works closely with the well-established supply chain logistics operators and taps into their customer base mainly in the electronic components business. The Group provides them with procurement and inventory short-term financings in Hong Kong and the logistics operators handle the warehousing, custom clearance and delivery. Shenzhen City is traditionally the biggest hub for import and distribution of electronic parts and components in China whilst China is the largest exporter of electronic products in the world. There are abundant demands for supply chain finance in this particular market. Hence the Group has strong confidence on the robust growth of the supply chain finance business in the coming years. Funding for the Group's supply chain finance is mainly provided by commercial banks in Hong Kong and Xi'an in the forms of short term working capital loans and trade finance facilities. Total bank facilities available to the Group's supply chain finance will be

approximately HK\$171 million (subject to the drawdown of the second tranche of the ICBC Facility) and the turnover cycle is roughly 90 days. The Group will continue to negotiate with the existing and other banks for larger credit limit as business grow. Given with the huge market demand for supply chain finance both in China and Hong Kong, supply chain finance will be a key contributor to the Group's sales turnover in the coming years.

The Group's finance lease company in the PRC will be operational by end of 2016. Since the approval for the formation of a wholly foreign-owned leasing company was granted by the Shaanxi Provincial Department of Commerce, the Group has spent considerable efforts in building a professional management team and business plan which will initially focus on the industries such as healthcare, infrastructure, public transportation and environmental protection facility, etc., which have strong demand in China for finance lease. The Group is confident to achieve a sizable leasing portfolio within the first 12 months of operation. As a foreign-owned leasing company, the Group is entitled to a 10 times gearing on paid-up capital and is allowed to raise offshore debts. Given with the huge market potential and the Group's funding advantage, outlook of the finance leasing business is highly encouraging and will be a major contributor to the Group in the years ahead. The finance lease company will have a registered capital of US\$30 million to be paid up by stages. The Group is considering different means to raise the finance lease company's required capital which may include the issue of bond or other financial instruments. The Group is also looking for potential investors to jointly develop the finance lease company, and if materialised as appropriate, it will provide the Company with larger capital base and new business opportunities through the investors' respective business networks.

The development of the Chinlink•Worldport, the Group's logistics project in Hanzhong City, is under smooth progress. The first phase will comprise of a large scale commercial area including Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre, Qinba Chinese Herbal Medicine Trading Centre, warehousing and other logistics facilities. Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre with auxiliary business facilities with total commercial area of approximately 147,000 square metres will start operation by end of 2016. Chinlink•Worldport will provide the Group with new income sources in the forms of rental and property management fees, logistics services fees etc., as well as new opportunities for the Group's supply chain finance and finance leasing businesses.

The Group's financial guarantee company has been operating since 2013 with paid-up capital of US\$30 million. It is the first wholly-foreign owned financial guarantee enterprise in the Shaanxi Province. As at 31 July 2016, guaranteed portfolio is approximately RMB314 million and available bank limit for accepting the corporate guarantee is over RMB900 million. The financial guarantee company will expand its business through collaboration with the Group's supply chain finance and finance lease companies, assisting them to obtain bank financing by providing corporate guarantee for their clients. These joint financing services could enhance the Group's overall income from a single transaction against the same credit exposure. Given the zero default record during last three years, the financial guarantee company continue to provide stable income to the Group and business synergy within the Group's other financial operations.

The Group will continue to explore new opportunity in related business areas, especially in various specialized financing services such as Fintech, peer-to-peer (P2P) and crowdfunding, to complement with the Group's existing financial services targeted at the SMEs in China and Hong Kong. This expansion strategy is aimed to maximize the Group's customer resources, the management expertise and the Group's strategic geographical position in Shaanxi Province which is considered to be the frontier to China's economic growth driven by the One-Belt-One-Road national development policy.



**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE  
ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group attributable to owners of the Company has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 March 2016 and taking into account of certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Rights Issue as at 31 March 2016 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016, as extracted from the published annual report of the Company for the year ended 31 March 2016, and is adjusted for the effect of the Rights Issue described below.

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 per Share <i>HK\$ cents</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 immediately after completion of the Rights Issue per Share <i>HK\$ cents</i> <i>(Note 4)</i>
Rights Issue of minimum number of Rights Shares of 13,958,384,095 to be issued at Subscription Price of HK\$0.04 per Rights Share	<u>693,809</u>	<u>549,933</u>	<u>1,243,742</u>	<u>24.85</u>	<u>7.43</u>
Rights Issue of maximum number of Rights Shares of 14,712,390,115 to be issued at Subscription Price of HK\$0.04 per Rights Share	<u>693,809</u>	<u>580,094</u>	<u>1,273,903</u>	<u>24.85</u>	<u>7.22</u>

*Notes:*

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company of HK\$693,809,000 as at 31 March 2016 is calculated based on the consolidated net assets attributable to the owners of the Company of approximately HK\$697,755,000 as at 31 March 2016 after deducting intangible assets of approximately HK\$3,946,000, as extracted from the published annual report of the Group for the year ended 31 March 2016.
- (2) The estimated net proceeds from the Rights Issue are based on (i) minimum number of Rights Shares of 13,958,384,095 to be issued and (ii) maximum number of Rights Shares of 14,712,390,115 to be issued (as defined in this Circular) at the Subscription Price of HK\$0.04 per Rights Share after deduction of the estimated related expenses of approximately HK\$8,402,000.

The net proceeds from full exercise of the Remaining Share Options and conversion rights attaching to the Convertible Bonds have not been reflected in the net proceeds from the Rights Issue as set out in the above table.

- (3) The calculation of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 per Share is determined based on the consolidated net tangible assets of the Group attributable to owners of the Company of HK\$693,809,000 divided by the number of shares in issue of 2,791,676,819 as at 31 March 2016.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 immediately after the completion of the Rights Issue per Share is arrived at on the basis that (i) 16,750,060,914 Shares, which represents 2,791,676,819 Shares in issue as at 31 March 2016 and 13,958,384,095 minimum number of Rights Shares to be issued, and (ii) 17,654,868,138 Shares, which represents 2,942,478,023 Shares in issue as at 31 March 2016 pursuant to the full exercise of the Remaining Share Options and conversion rights attaching to the Convertible Bonds and 14,712,390,115 maximum number of Rights Shares to be issued, pursuant to the Rights Issue, were in issue assuming that the Rights Issue had been completed on 31 March 2016.
- (5) No adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016.

*The following is the text of the independent reporting accountants' assurance report dated 3 October 2016, prepared for the sole purpose of inclusion in this circular, received from independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the Unaudited Pro Forma Financial Information of the Group.*



## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

### TO THE DIRECTORS OF CHINLINK INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chinlink International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 and related notes as set out on pages 61 to 63 of the circular issued by the Company dated 3 October 2016 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 61 to 63 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue on the basis of five Rights Share for every one Share held on the Record Date (as defined in the Circular) (the "**Rights Issue**") on the Group's net tangible assets attributable to owners of the Company as at 31 March 2016 as if the Rights Issue had taken place on 31 March 2016. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2016, on which an auditor's report has been published.

### Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 3 October 2016

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

### (i) Share Capital as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>62,500,000</u>
<i>Issued and fully paid:</i>		
<u>2,791,676,819</u>	Shares	<u>34,895,960</u>

### (ii) Share Capital immediately following the Authorised Share Capital Increase becoming effective and upon completion of the Rights Issue (assuming no further issue of new Shares or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares))

<i>Authorised:</i>		<i>HK\$</i>
5,000,000,000	Shares	62,500,000
<u>15,000,000,000</u>	New Shares to be created under the Authorised Share Capital Increase	<u>187,500,000</u>
<u>20,000,000,000</u>	Shares immediately following the Authorised Share Capital Increase becoming effective	<u>250,000,000</u>
<i>Issued and fully paid:</i>		
2,791,676,819	Shares	34,895,960
<u>13,958,384,095</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>174,479,801</u>
<u>16,750,060,914</u>	Shares in issue immediately upon completion of the Rights Issue	<u>209,375,761</u>

**(iii) Share Capital immediately following the Authorised Share Capital Increase becoming effective and upon completion of the Rights Issue (assuming full exercise of the Remaining Share Options and the Convertible Bonds and no other issue or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares))**

<i>Authorised:</i>		<i>HK\$</i>
5,000,000,000	Shares	62,500,000
15,000,000,000	New Shares to be created under the Authorised Share Capital Increase	187,500,000
<u>20,000,000,000</u>	Shares immediately following the Authorised Share Capital Increase becoming effective	<u>250,000,000</u>
<i>Issued and fully paid:</i>		
2,791,676,819	Shares	34,895,960
57,400,000	Shares to be issued upon full exercise of the Remaining Share Options	717,500
93,401,204	Shares to be issued upon full conversion of the Convertible Bonds	1,167,515
<u>14,712,390,115</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>183,904,876</u>
<u>17,654,868,138</u>	Shares in issue immediately upon completion of the Rights Issue	<u>220,685,851</u>

All the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, there are (i) Convertible Bonds in the aggregate principal amount of US\$10 million (equivalent



to approximately HK\$77.505 million) convertible into 93,401,204 Shares (which is determined based on an agreed fixed exchange rate of HK\$7.7523 = US\$1) at the prevailing conversion price of HK\$0.83 per Share (subject to adjustment); and (ii) Share Options to subscribe for an aggregate of 110,600,000 Shares under the Share Option Scheme, of which a maximum of 62,560,000 Vested Share Options are exercisable from the Latest Practicable Date and up to the Record Date. Save for the Convertible Bonds and the Share Options, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

### 3. DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long position in the Shares

Name of Director	Number of Shares held		Total	Approximate % of interest (Note 2)
	Beneficial owner	Interest of controlled Corporation		
Mr. Li Weibin ("Mr. Li")	316,140,000	8,677,818,960 (Note 1)	8,993,958,960	50.94%

Notes:

- These Shares are held by Wealth Keeper, the entire issued share capital of which is wholly and beneficially owned by Mr. Li. Accordingly, Mr. Li is deemed to have the same interest as Wealth Keeper by virtue of the SFO.
- Calculation of percentage shareholding assuming completion of the Rights Issue and full exercise of the Remaining Share Options or Convertible Bonds on or before the Latest Lodging Date.

**(ii) Long position in share options of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of share options</b>	<b>Approximate % of interest (Note)</b>
Mr. Li Weibin	Beneficial owner	8,600,000	0.05%
Mr. Siu Wai Yip	Beneficial owner	6,000,000	0.03%
Ms. Lam Suk Ling, Shirley	Beneficial owner	6,000,000	0.03%
Mr. Lau Chi Kit	Beneficial owner	4,000,000	0.02%
Ms. Fung Sau Mui	Beneficial owner	2,000,000	0.01%
Dr. Ho Chung Tai, Raymond	Beneficial owner	4,000,000	0.02%
Ms. Lai Ka Fung, May	Beneficial owner	2,000,000	0.01%
Ms. Chan Sim Ling, Irene	Beneficial owner	2,000,000	0.01%

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

*Note:*

Calculation of percentage shareholding assuming completion of the Rights Issue and full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date.

#### 4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS

CLI Design Limited, a subsidiary of the Company entered into a tenancy agreement (the “**Tenancy Agreement**”) with Golden Life Investment Limited (“**Golden Life**”) on 28 November 2014 for the lease of Workshops Nos. 1 to 8, 19 to 21 on the 2nd Floor, of Decca Industrial Centre, 12 Kut Shing Street, Chai Wan, Hong Kong, with an aggregate gross floor area of about 6,149 square feet and Car Parking Space Nos. P9 and P10 on the Ground Floor of Decca Industrial Centre, 12 Kut Shing Street, Chai Wan, Hong Kong at a monthly rental of HK\$71,500 and monthly building management fee of HK\$9,876 for a term of three years from 1 December 2014 to 30 November 2017. According to a written notice served by Golden Life, the monthly building management fee was increased from HK\$9,876 to HK\$10,616 with effect from 1 January 2016. The transaction pursuant to the Tenancy Agreement constituted continuing connected transactions under the Listing Rules as Ms. Fung Sau Mui, a non-executive Director, is one of the directors of Golden Life.

On 31 March 2016, 陝西普匯中金融擔保有限公司 (Shaanxi Chinlink Financial Guarantee Limited\*) (“**Chinlink Finance**”), an indirect wholly-owned subsidiary of the Company and 西安德萬通商業運營管理有限公司 (Xi'an Dewantong Commercial Operation and Management Company Limited\*) (“**Dewantong**”) entered into a financing guarantee contract (“**Dewantong FG Contract I**”) and on 28 July 2016, Chinlink Finance and Dewantong entered into a new financing guarantee contract (“**Dewantong FG Contract II**”, together with the Dewantong FG Contract I, collectively, the “**Dewantong FG Contracts**”). Pursuant to Dewantong FG Contracts, Chinlink Finance has agreed to provide financing guarantee to the lending banks in favour of Dewantong for procuring Dewantong in obtaining the bank loans.

The principal terms of the Dewantong FG Contracts are set out below:

<b>Contract</b>	<b>Contract date</b>	<b>Guaranteed amount</b> (RMB in million)	<b>Approximate guarantee income</b> (RMB in million)	<b>Guarantee service period</b>
Dewantong FG Contract I	31 March 2016	7.000	0.175	31 March 2016 to 30 March 2017
Dewantong FG Contract II	28 July 2016	3.000	0.075	28 July 2016 to 27 July 2017

The transactions pursuant to the Dewantong FG Contracts were constituted continuing connected transactions under the Listing Rules as Mr. Li, an executive Director and the controlling shareholder of the Company, indirectly holds 50% of Dewantong's equity interest. Further details of the Dewantong FG Contracts are set out in the announcements of the Company dated 31 March 2016 and 28 July 2016, respectively.

On 27 November 2015, Chinlink Finance and 西安匯景倬元信息技術有限公司 (Xi'an Hui Jing Zhuo Yuan Information Technology Company Limited\*) ("**Zhuo Yuan**") entered into a financing guarantee contract ("**ZY FG Contract**"), and a consultancy services contract ("**ZY CS Contract**") pursuant to which Chinlink Finance has agreed to provide financing guarantee to the lending bank in favor of Zhuo Yuan for procuring Zhuo Yuan in obtaining the bank loan and Chinlink Finance has also agreed to provide corresponding consultancy services to Zhuo Yuan in return for services income.

The principal terms of the ZY FG Contract and ZY CS Contract are set out below:

<b>Contract</b>	<b>Contract date</b>	<b>Guaranteed amount</b> (RMB in million)	<b>Approximate guarantee/ consultancy service income</b> (RMB in million)	<b>Guarantee/ consultancy service period</b>
ZY FG Contract	27 November 2015	9.000	0.225	27 November 2015 to 26 November 2016
ZY CS Contract	27 November 2015	Not applicable	0.405	27 November 2015 to 26 November 2016

The transactions pursuant to the ZY FG Contract and ZY CS Contract constituted continuing connected transactions under the Listing Rules as the major beneficial owners of Zhuo Yuan are the relatives of Mr. Li. Further details of the ZY FG Contract and ZY CS Contract are set out in the announcements of the Company dated 27 November 2015.

On 28 March 2016, Chinlink Finance and 陝西滾石新天地文化投資有限公司 (Shaanxi Gun Shi Xin Tian Di Cultural Investment Company Limited\*) ("**Gun Shi**") entered into a financing guarantee contract ("**GS FG Contract**"). Pursuant to the GS FG Contracts, Chinlink Finance has agreed to provide financing guarantee to the lending bank in favor of Gun Shi for procuring Gun Shi in obtaining the bank loans.

The principal terms of the GS FG Contract are set out below:

<b>Contract</b>	<b>Contract date</b>	<b>Guaranteed amount</b> (RMB in million)	<b>Approximate guarantee income</b> (RMB in million)	<b>Guarantee service period</b>
GS FG Contract	28 March 2016	5.000	0.125	28 March 2016 to 27 March 2017

The transactions pursuant to the GS FG Contract constituted continuing connected transactions under the Listing Rules as 68.13% of the equity interest of Gun Shi held by the relative of Mr. Li. Further details of the GS FG Contracts are set out in the announcement of the Company dated 28 March 2016.

The guarantee amount and financing guarantee services income charged to Dewantong, Zhuo Yuan and Gun Shi were based on the credit risk assessment to respective parties and the prevailing market bank loan rate in the PRC. The consultancy services income charged to the respective parties was based on the scope of services provided.

Saved as disclosed above, as at the Latest Practicable Date, (i) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) there was no contract or arrangement entered into by any member of the Group subsisting, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

## **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Group which were not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 6. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares held (Long position)	Interest in underlying shares pursuant to the Share Option Scheme of the Company		Total	Approximate % of Interest (Note 8)
Emperor Capital Group Limited (Note 1)	Interest of controlled Corporation	7,217,424,315	–		7,217,424,315	40.88%
Albert Yeung Holdings Limited (Note 2)	Interest of controlled Corporation	7,217,424,315	–		7,217,424,315	40.88%
STC International Limited (Note 3)	Trustee	7,217,424,315	–		7,217,424,315	40.88%
Dr. Yeung Sau Shing, Albert (Note 4)	Founder of discretionary trust	7,217,424,315	–		7,217,424,315	40.88%
Luk Siu Man, Semon (Note 5)	Interest of spouse	7,217,424,315	–		7,217,424,315	40.88%
Wealth Keeper	Beneficial owner	8,677,818,960	–		8,677,818,960	49.15%
Ms. Cao Wei ("Ms. Cao")	Spouse Interest	8,993,958,960 (Note 6)	8,600,000 (Note 7)		9,002,558,960	50.99%

*Notes:*

- Emperor Capital Group Limited was a 100% controlling shareholder of Emperor Capital Investment Holdings Limited. Emperor Capital Investment Holdings Limited was in turn a 100% controlling shareholder of Emperor Securities Limited, who has direct interest in these shares pursuant to the Underwriting Agreement.
- Albert Yeung Holdings Limited was a controlling shareholder of Emperor Capital Group Limited.
- STC International Limited was the trustee of the Albert Yeung Discretionary Trust and a controlling shareholder of Albert Yeung Holdings Limited.
- Yeung Sau Shing, Albert was the founder of The Albert Yeung Discretionary Trust.
- Luk Siu Man, Semon was the spouse of Yeung Sau Shing, Albert.

6. Ms. Cao, being the spouse of Mr. Li, is deemed to have the same interests of Mr. Li by virtue of the SFO.
7. These underlying shares, i.e. the share options, are held by Mr. Li, the spouse of Ms. Cao. Accordingly, Ms. Cao is deemed to be interested in the 8,600,000 underlying shares by virtue of the SFO.
8. Calculation of percentage shareholding assuming completion of the Rights Issue and full exercise of the Remaining Share Options and Convertible Bonds on or before the Latest Lodging Date.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or 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, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 7. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance, known to the Directors, pending or threatened against any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding and including the Latest Practicable Date and were or might be material:

- a. the sale and purchase agreement, the supplemental agreement, the second supplemental agreement, the third supplemental agreement, the fourth supplemental agreement and the fifth supplemental agreement entered among Esteemed Zone Limited ("**Esteemed Zone**") (a wholly-owned subsidiary of the Company), Sino Virtue Holdings Limited, Mr. Li Chi Yung and Mr. Kwan Ka Shing dated 18 February 2015, 30 April 2015, 29 May 2015, 30 June 2015, 31 July 2015 and 31 August 2015 respectively in relation to the acquisition of the entire issued share capital of E-Innovation Limited and sale loan of a subsidiary of E-Innovation Limited due to Sino Virtue Holdings Limited for a total consideration of HK\$800 million;
- b. the placing agreement entered between the Company and Emperor Securities dated 29 June 2015 in relation to the placing of bonds in an aggregate principal amount of HK\$200 million;
- c. the subscription agreement entered between the Company, Mr. Li and Huatai Financial Holdings (Hong Kong) Limited dated 23 December 2015 in relation to subscription of the convertible bonds in an aggregate principal amount of US\$10 million (equivalent to approximately HK\$77.523 million) at the conversion price of HK\$0.83 per conversion share;

- d. the loan facility agreement entered between Esteemed Zone and Industrial and Commercial Bank of China (Asia) Limited (“**ICBC**”) dated 10 March 2016, pursuant to which, subject to the fulfillment of respective conditions precedent, ICBC agreed to provide a 3-year-term, secured loan facility (the “**Loan Facility**”) to Esteemed Zone with maximum amount up to HK\$630.0 million in two tranches. The Loan Facility will be secured by certain storeys of a commercial complex of the Group which situated at the east side of Banyin Road, Baqiao District, Xi’an City, Shaanxi Province, the People’s Republic of China. The Loan Facility consists of two tranches: (1) the first tranche of the Loan Facility representing a term loan amounting to HK\$175.0 million was granted to Esteemed Zone on 10 June 2016; and (2) the second tranche of the Loan Facility which is pending satisfaction of the conditions precedent, comprises (i) a term loan of HK\$295.0 million and (ii) a revolving facility of HK\$160.0 million, both are expected to be granted in October 2016;
- e. the placing agreement and the supplemental placing agreement entered between the Company and China Investment Securities International Brokerage Limited dated 29 March 2016 and 8 April 2016 respectively in relation to the proposed placing of convertible bonds in an aggregate principal amount of up to HK\$300 million at the conversion price of HK\$0.80 per conversion share;
- f. the supplemental deed agreement entered into between the Company and the bondholder dated 30 September 2016 in relation to the extension of the maturity date of the 12% Coupon Bonds (due in 2016) to 30 November 2016; and
- g. the Underwriting Agreement (and respective supplemental agreement(s)).

## 9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Optima Capital Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.



As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 March 2016 (the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group

#### 10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	7/F., Two Exchange Square 8 Connaught Place Central, Hong Kong
Authorised Representatives	Ms. Lam Suk Ling, Shirley 7/F., Two Exchange Square 8 Connaught Place Central, Hong Kong  Mr. Sui Wai Yip 7/F., Two Exchange Square 8 Connaught Place Central, Hong Kong
Company Secretary	Ms. Lam Suk Ling, Shirley member of The Hong Kong Institute of Certified Public Accountants and member of The CPA Australia
Auditor/Reporting Accountants	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  OCBC Wing Hang Bank, Limited 161 Queen's Road Central Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited  
Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

DBS Bank (Hong Kong) Limited  
G/F, The Center  
99 Queen's Road Central  
Central, Hong Kong

China Minsheng Banking Corporation Limited  
40/F., Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

Chang'an Bank Co.,Ltd  
11/F., Langchen Building  
No.13, Gaoxin 4th Road  
Xi'an  
People's Republic of China

Shanghai Pudong Development Bank Co., Ltd.  
No.12, Zhongshan Dong Yi Road  
Shanghai  
People's Republic of China

Industrial and Commercial Bank of China Limited  
No.55, FuXingMenNei Street  
Xicheng District  
Beijing  
People's Republic of China

Industrial and Commercial Bank of China (Asia)  
Limited  
33/F., ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

Principal Share Registrar and  
Transfer Office

Appleby Management (Bermuda) Limited  
Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Company	<i>as to Hong Kong law:</i> Michael Li & Co. 19/F., Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong  <i>as to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Underwriter	Emperor Securities Limited 23-24/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Financial adviser to the Company	Emperor Capital Limited 28/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Optima Capital Limited Suite 1501, 15th Floor, Jardine House 1 Connaught Place Central, Hong Kong

## 11. PARTICULARS OF DIRECTORS

### Executive Directors

Mr. LI Weibin (“**Mr. Li**”), aged 46, joined the Group as an executive Director since 27 January 2012 and was redesignated as chairman and managing Director of the Company on 18 February 2012. Mr. Li holds a bachelor's degree in Applied Electronics from Xi'an Technological University and an Executive Master in Business Administration from Xi'an Jiaotong University. Since early 2000, Mr. Li has been engaged in research, production and sales of electronic components and materials, computer software and hardware as well as research and sales of computer related equipment. He has also been engaged in property development, planning and sales, management, and other property related investments, cultural and entertainment businesses. His businesses are present in Beijing, Xi'an and Hong Kong.

Mr. SIU Wai Yip (“**Mr. Siu**”), aged 60, joined the Group as an executive Director since 27 January 2012. Mr. Siu holds a Bachelor of Arts degree from The University of Hong Kong. He has over 10 years’ of experience in banking and financing and previously held executive positions at various major international banks, with specialization in trade financing and corporate banking. Prior to joining the Group, he was appointed as an executive director of Matsunichi Communication Holdings Limited (now known as Goldin Properties Holdings Limited, stock code: 283) from January 2005 to February 2006. He was an executive director of Vincent Intertrans (Holdings) Limited (now known as Shanghai Industrial Urban Development Group Limited, stock code: 563) from July 1998 to May 1999. The shares of these two companies are listed on the Main Board of the Stock Exchange.

Ms. LAM Suk Ling, Shirley (“**Ms. Lam**”), aged 49, joined the Group since 27 January 2012 and is currently in the role of chief financial officer and company secretary for the Group. She was appointed as an executive Director on 18 February 2012. She holds a master in business administration from The University of Adelaide, Australia and a bachelor of science degree from Murdoch University, Western Australia. She is qualified as a certified public accountant of Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Ms. Lam has over 20 years’ of experience in auditing, accounting and financial management, and also worked for various international audit firms and listed companies. Prior to joining the Group, Ms. Lam was an executive director of Jackin International Holdings Limited (now known as AMCO United Holding Limited, stock code: 630), a company whose shares are listed on the main board of the Stock Exchange, from February 2010 to December 2011.

Mr. LAU Chi Kit (“**Mr. Lau**”), aged 71, joined the Group as an independent non-executive Director since 18 February 2012, and he was re-designated as an executive Director on 18 September 2013. Mr. Lau retired from The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) in late December 2000 after more than 35 years’ of service. Amongst the major positions at HSBC, he served as Assistant General Manager and Head of Personal Banking Hong Kong and Assistant General Manager and Head of Strategic Implementation, AsiaPacific Region. Mr. Lau is a fellow of the Hong Kong Institute of Bankers (the “**Institute**”). He served as the Chairman of the Institute’s Executive Committee (from January 1999 to December 2000) and is currently the Honorary Advisor of the Institute’s Executive Committee. He has served as a Member on a number of committees appointed by the Government of Hong Kong Special Administrative Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission’s Privacy Sub-Committee (from February 1990 to March 2006). Mr. Lau also served as a Chairman of Business Environment Council Limited (from September 1998 to December 2001). Currently, he is also an independent non-executive director of

Highlight China IoT International Limited (previously known as Ford Glory Group Holding Limited, stock code: 1682), Century Sunshine Group Holdings Limited (stock code: 509), Royale Furniture Holdings Limited (stock code: 1198) and Leoch International Technology Limited (stock code: 842). The shares of these four companies mentioned above are listed on the Main Board of the Stock Exchange.

#### **Non-Executive Director**

Ms. FUNG Sau Mui (“**Ms. Fung**”), aged 60, joined the Group in 1976. Ms. Fung was an executive Director, director of Finance and Administration as well as chief Financial officer of the Group and resigned from her positions and was re-designated as a non-executive Director with effect from 18 February 2012. Ms. Fung has over 30 years’ of experience in financial management, accounting, costing, material sourcing and purchasing, and personnel management.

#### **Independent Non-Executive Directors**

Dr. HO Chung Tai, Raymond (“**Dr. Ho**”), aged 77, joined the Group as an independent non-executive Director since 17 December 2013. Dr. Ho is a former member of the Legislative Council (1996-2012), a former Hong Kong Deputy to the 10th & 11th National People’s Congress and the past President of the Hong Kong Institution of Engineers (1987-1988). He holds a Doctorate in Civil Engineering from City University of London, United Kingdom; an Honorary Doctorate of Laws from The University of Manchester, United Kingdom; an Honorary Doctorate of Business Administration from City University of Hong Kong; a Bachelor of Science degree in Engineering from The University of Hong Kong; and a Postgraduate Diploma in Geotechnical Engineering from The University of Manchester, United Kingdom. Currently, Dr. Ho is the Chairman of the Advisory Committee for the Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee (2005-present) and Professional Advisor to the Ombudsman of Hong Kong (Engineering and Surveying) (1995-2013, 2015-present). He has served as a Board Member of the Airport Authority Hong Kong (2008-2014), the former Chairman of the Hong Kong Trade Development Council Infrastructure Development Advisory Committee (2009-2013) and the Founding Council Chairman of City University of Hong Kong (1992-1994). He is also an independent non-executive director of China State Construction International Holdings Limited (stock code: 3311), GCL-Poly Energy Holdings Limited (stock code: 3800), Deson Development International Holdings Limited (stock code: 262) and AP Rentals Holdings Limited (stock code 1496). The shares of these four companies mentioned above are listed on the Main Board of the Stock Exchange.

Ms. LAI Ka Fung, May (“**Ms. Lai**”), aged 50, joined the Group as an independent non-executive Director since 18 February 2012. Ms. Lai obtained a Master of Arts in International Accounting from City University of Hong Kong in 2001. She has been a Member of the Hong Kong Institute of Certified Public Accountants since 1999 and is a Fellow of The Association of Chartered Certified Accountants since 2003. She is the sole proprietor of May K. F. Lai & Co., Certified Public Accountant, and has been engaged in

the audit field for more than 20 years. She is also an independent non-executive director of Emperor Watch & Jewellery Limited (stock code: 887) and Emperor Entertainment Hotel Limited (stock code: 296). The shares of these two companies mentioned above are listed on the Main Board of the Stock Exchange.

Ms. CHAN Sim Ling, Irene (“**Ms. Chan**”), aged 53, joined the Group as an independent non-executive Director since 18 February 2012. She graduated with a Bachelor of Laws degree from the University of Hong Kong in 1985. Ms. Chan is a retired solicitor with over 18 years’ of experience serving as an independent non-executive director of listed companies. She is an independent non-executive director of See Corporation Limited (stock code: 491) and Emperor Watch & Jewellery Limited (stock code: 887). She was also an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 296) and New Media Group Holdings Limited (now known as Evergrande Health Industry Group Limited, stock code: 708), and retired in August 2013 and March 2015 respectively. The shares of these four companies mentioned above are listed on the Main Board of the Stock Exchange.

#### **Business address of the Directors**

The business address of the Directors is the same as the Company’s head office and principal place of business in Hong Kong located at 7/F., Two Exchange Square, 8 Connaught Place Central, Hong Kong.

#### **12. EXPENSES**

The expenses in connection with the Rights Issue, including underwriting commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$8 million and are payable by the Company.

#### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 7/F., Two Exchange Square, 8 Connaught Place Central, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and the bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 March 2015 and 31 March 2016;
- (iii) the letter from the Independent Board Committee, the text of which is set out on page 29 of this circular;
- (iv) the letter of advice from Optima Capital, the text of which is set out on pages 30 to 54 of this circular;

- (v) the independent reporting accountants' assurance report on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu set out in Appendix II to this circular;
- (vi) the written consents referred to in the paragraph under the heading "Experts and Consents" in this Appendix;
- (vii) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and
- (viii) this circular.

**14. GENERAL**

In case of inconsistency, the English text of this circular, the accompanying notice of the SGM and form of proxy shall prevail over its Chinese text.

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## NOTICE OF SGM

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CHINLINK

普匯中金

**CHINLINK INTERNATIONAL HOLDINGS LIMITED**

**普匯中金國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0997)**

### NOTICE OF SGM

**NOTICE IS HEREBY GIVEN** that a special general meeting (“**SGM**”) of Chinlink International Holdings Limited (the “**Company**”) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 2:30 p.m. on Wednesday, 19 October 2016 for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT**
  - (a) the increase of the authorised share capital of the Company from HK\$62,500,000 divided into 5,000,000,000 shares of par value of HK\$0.0125 each (the “**Share(s)**”) to HK\$250,000,000 divided into 20,000,000,000 Shares by creation of an additional 15,000,000,000 Shares (the “**Authorised Share Capital Increase**”) be and is hereby approved; and
  - (b) any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Authorised Share Capital Increase.”
  
2. **“THAT** subject to the passing of resolution number 1 above and conditional upon:
  - (a) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and
  - (b) the fulfillment of the conditions set out in the underwriting agreement dated 7 September 2016, as supplemented on 30 September 2016 (the “**Underwriting Agreement**”), entered into among the Company as issuer, Emperor Securities Limited (the “**Underwriter**”)

\* For identification purposes only



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## NOTICE OF SGM

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as underwriter, Mr Li Weibin and Wealth Keeper International Limited becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4: 00 p.m. on the third business day after the last day for acceptance of Rights Shares (as defined below),

- (i) the issue by way of Rights Issue (the “**Rights Issue**”) of not less than 13,958,384,095 new Shares (each a “**Right Share**”) (assuming no exercise of the Vested Share Options (as defined in the circular (the “**Circular**”) of the Company dated 3 October 2016 and Convertible Bonds (as defined in the Circular) on or before the Latest Lodging Date (as defined in the Circular)) and not more than 14,712,390,115 Rights Shares (assuming full exercise of the Remaining Share Options (as defined in the Circular) and Convertible Bonds on or before the Latest Lodging Date) at the subscription price of HK\$0.04 per Rights Share to the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on record date (the “**Record Date**”) of the Rights Issue as determined and announced by the board of Directors (excluding those Shareholders with registered addresses outside Hong Kong whom the Directors consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those overseas Shareholders reside) on the basis of five Rights Shares for every one Share then held by Qualifying Shareholders on the Record Date be and is hereby approved;
- (ii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (iii) the Underwriting Agreement and the transactions contemplated thereby (including but not limited to the arrangement for the taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and

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## NOTICE OF SGM

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- (iv) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

By order of the Board  
**Chinlink International Holdings Limited**  
**Mr. Li Weibin**  
*Chairman*

Hong Kong, 3 October 2016

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

*Head office and  
Principal Place of of business  
in Hong Kong:*  
7/F, Two Exchange Square  
8 Connaught Place,  
Central Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in on his/her behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the proxy form together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of proxy form will not preclude a shareholder of the Company from attending in person and voting at the meeting or any adjournment thereof, should he/she so wish.
3. A proxy form in respect of the meeting is enclosed. Whether or not you intend to attend the meeting in person, all members are urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting if they so wish.
4. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the SGM.
5. If Typhoon Signal No.8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the SGM, the SGM will be postponed. Members may visit the website of the Company for details of the postponement and alternative meeting arrangement.
6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English Version shall prevail.