THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular appears for information purposes only and does not constitute an invitation or offer to sell, dispose, acquire, purchase or subscribe for securities in the Company.

CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

(1) ISSUE OF SUBSCRIPTION SHARES TO CONNECTED PERSON UNDER SPECIFIC MANDATE; (2) PROPOSED REPAYMENT OF INDEBTEDNESS; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Subscriber

Titan Financial Services Limited

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

Messis Capital Limited

Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise provided.

A letter from the Board is set out on pages 7 to 34 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 79 of this circular.

A notice convening the SGM to be held at 4:00 p.m. on Wednesday, 15 April 2020 at Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof (as the case may be). 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.

20 March 2020

CONTENTS

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

"acting in concert"	has the same meaning as ascribed to it under the Takeovers Code
"Announcement"	the announcement dated 6 February 2020 made by the Company in relation to, among others, the Subscription, the Specific Mandate and the Whitewash Waiver
"associate(s)"	has the same meaning as ascribed to it under the Takeovers Code, unless the contexts otherwise specify
"Bye-laws"	the bye-laws of the Company in force from time to time
"Board"	the board of Director(s)
"Business Day(s)"	a day (except Saturday, and Sunday and public holiday) on which banks in Hong Kong are open for business
"Companies Act"	the Companies Act 1981 of Bermuda (as amended from time to time)
"Company"	China Finance Investment Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 875)
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement)
"Completion Date"	the fifth (5th) Business Day after the satisfaction and/or waiver (where applicable) of all the conditions specified in the sub-section headed "Conditions of the Subscription" under the section headed "The Subscription" in this circular (or such other date as may be agreed by the Company and the Subscribers in writing), being the date on which Completion shall take place

"connected person"	has the meaning as ascribed to it in the Listing Rules
"controlling shareholder"	has the meaning as ascribed to it in the Listing Rules
"Defaulted CB"	has the meaning as ascribed to it in the section headed "Indebtedness of the Group" in this circular
"Director(s)"	the director(s) of the Company
"Executive"	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Indebtedness"	the amount representing the proposed partial settlement of the outstanding indebtedness owed by the Company to Mr. Lin Yuhao under the personal loans by way of offsetting of HK$56 million against the consideration for the Subscription
"Independent Board Committee"	an independent committee of the Board established by the Board, comprising Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang, being the independent non-executive Directors who have no direct or indirect interest in the Subscription, the Specific Mandate and the Whitewash Waiver, to advise the Independent Shareholders on the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Mr. Lin Yuhao, the non-executive Director and a party to the Subscription Agreement and the Supplemental Agreement, is interested in the Subscription and will not be a member of the Independent Board Committee.

"Independent Financial Adviser"	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
"Independent Shareholders"	for the purpose of the Subscription, the Specific Mandate and the Whitewash Waiver, the Shareholders other than (i) the Subscriber and its associates (as defined under the Listing Rules) and; (ii) any other Shareholders who have a material interest in the Subscription, the Specific Mandate and the Whitewash Waiver
"Last Trading Day"	17 January 2020, being the last trading day of the Shares immediately prior to the date of the Announcement
"Latest Practicable Date"	17 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2020 (or such other date as the parties to the Subscription Agreement may agree in writing)
"Mr. Lin Yuhao"	Mr. Lin Yuhao, the chairman of the Board and a non-executive Director of the Company and also the ultimate beneficial owner of the Subscriber
"Mr. Lin Yupa"	Mr. Lin Yupa, an executive Director, and the elder brother of Mr. Lin Yuhao and is acting in concert with Mr. Lin Yuhao
"Preference Share"	the non-voting convertible Class B preference shares of HK$0.01 each in the share capital of the Company

"PRC"	The People's Republic of China
"Profit Alert Announcement"	the Company's announcement dated 4 March 2020 in relation to, among other things, the expected significant reduction in the Group's net loss for the financial year ended 31 December 2019 as compared to the financial year ended 31 December 2018, which is repeated in full in Appendix III to this circular
"Relevant Period"	the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 in the issued share capital of the Company (or such ordinary share(s) of HK$0.01 in the issued share capital of the Company prior to the capital reorganisation of the Company effective from 25 April 2019, as the context requires)
"Share Options"	the share option(s) to subscribe for Share(s) under the Share Option Scheme
"Share Option Scheme"	the share option scheme adopted by the Company on 6 June 2013
"Shareholder(s)"	the holder(s) of Share(s)
"SGM"	the special general meeting of the Company to be held at 4:00 p.m. on Wednesday, 15 April 2020 at Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong to approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Subscription, the Specific Mandate and the Whitewash Waiver, notice of which is set out on pages SGM-1 to SGM-3 of this circular

"Specific Mandate"	the specific mandate to be granted by the Independent Shareholders to the Board at the SGM for the allotment and issue of the Subscription Shares under the Subscription
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Sino Richest Investment Holdings Limited, a limited liability company incorporated under the laws of British Virgin Islands, the entire issued share capital of which is wholly-owned by Mr. Lin Yuhao
"Subscription"	the subscription of Subscription Shares by the Subscriber pursuant to the terms and conditions under the Subscription Agreement (as amended and supplemented by its Supplemental Agreement)
"Subscription Agreement"	the subscription agreement dated 17 January 2020 (as supplemented by its Supplemental Agreement dated 24 January 2020) in respect of the Subscription entered into among the Company, the Subscriber and Mr. Lin Yuhao
"Subscription Price"	HK$0.65 per Subscription Share
"Subscription Shares"	the 200,000,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement)
"Supplemental Agreement"	the supplemental subscription agreement entered into among the Company, the Subscriber and Mr. Lin Yuhao dated 24 January 2020 supplementing and amending certain terms of the Subscription Agreement
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
"Third Party Indebtedness"	the indebtedness of the Company owed to the independent third party lenders. For details, please refer to the section headed "Indebtedness of the Group — Third Party Indebtedness" in this circular

"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all the Shares not already owned by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the Completion
"%"	per cent

\# The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names prevail.

In this circular, translation of RMB into HK$ based on the exchange rate of RMB1.00 to HK$1.1134. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

Executive Directors:
Ms. DIAO Jing
Mr. LIN Yupa

Non-executive Director:
Mr. LIN Yuhao *(Chairman)*

Independent Non-executive Directors:
Mr. LI Shaohua
Ms. ZHU Rouxiang
Ms. LI Yang

Registered Office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Principal place of business in Hong Kong:
Suite 1510, 15/F,
Ocean Centre,
Harbour City,
5 Canton Road,
Tsim Sha Tsui, Kowloon
Hong Kong

20 March 2020

To the Shareholders

Dear Sir or Madam,

(1) ISSUE OF SUBSCRIPTION SHARES TO CONNECTED PERSON UNDER SPECIFIC MANDATE; (2) PROPOSED REPAYMENT OF INDEBTEDNESS; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement dated 6 February 2020 made by the Company in relation to, among others, the Subscription, the Specific Mandate and the Whitewash Waiver. On 17 January 2020 (after trading hours), the Company, the Subscriber and Mr. Lin Yuhao entered into the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 200,000,000 Subscription Shares at an issue price of HK$0.65 per Subscription Share.

THE SUBSCRIPTION

The principal terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are set out below.

Subscription Agreement (as amended and supplemented by the Supplemental Agreement)

Date : 17 January 2020 (after trading hours)

Parties : (1) The Company (the issuer)

(2) Sino Richest Investment Holdings Limited (the Subscriber)

(3) Mr. Lin Yuhao (a creditor of the Company and also the ultimate beneficial owner of the Subscriber)

The Subscriber is a limited liability company incorporated under the laws of the British Virgin Islands and the entire issued shares of which are wholly-owned by a non-executive Director, Mr. Lin Yuhao.

Pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), Mr. Lin Yuhao agrees to waive and release the outstanding Indebtedness in the equivalent amount of HK$56.0 million owed by the Company to him under the interest-free personal loans as part of the consideration for the Subscription. For details of the indebtedness owed by the Company to Mr. Lin Yuhao, please refer to the section headed "Indebtedness of the Group" of this circular.

Please refer to the section headed "Information on the Subscriber, Mr. Lin Yuhao and Mr. Lin Yupa" of this circular for more information on the Subscriber and Mr. Lin Yuhao.

Subscription Shares

200,000,000 Subscription Shares, representing approximately 195.5% of the existing issued share capital of the Company and approximately 66.6% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The Subscription Price of HK$0.65 per Subscription Share represents:

(a) a discount of approximately 31.6% to the closing price of HK$0.950 per Share as quoted on the Stock Exchange on 17 January 2020, being the Last Trading Day;

(b) a discount of approximately 33.9% to the average closing price of approximately HK$0.984 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 34.5% to the average closing price of approximately HK$0.993 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 35.0% to the closing price of approximately HK$1.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a discount of approximately 63.7% to the audited consolidated net asset value of the Group of approximately HK$1.79 per Share as at 31 December 2018 (based on the audited consolidated equity attributable to owners of the Company as at 31 December 2018 and the number of issued Shares as at the Latest Practicable Date); and

(f) a discount of approximately 67.5% to the unaudited consolidated net asset value of the Group of approximately HK$2.00 per Share as at 30 June 2019 (based on the unaudited consolidated equity attributable to owners of the Company as at 30 June 2019 and the number of issued Shares as at the Latest Practicable Date).

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber after taking into account (i) the existing financial and operating difficulties encountered by the Group as detailed in the section headed “Reasons for and benefits of the Subscription”; (ii) the prevailing market price of the Shares; and (iii) the benefits of introducing the Subscriber with relevant agricultural business experiences as the Company’s forthcoming controlling shareholder to develop the Group’s existing agricultural business as detailed in the section headed “Future intentions of the Subscriber regarding the Group”.

When considering the Subscription Price, the Company noted that (i) the available cash of approximately HK$28.6 million for the Group as at 31 December 2019 would not be sufficient to sustain its daily operation of the Company; (ii) the financial position of the Group has been further deteriorated and the Group’s debt level has been continuously increasing as detailed in the section headed "Indebtedness of the Group"; (iii) the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK$20,893,000 for the six months ended 30 June 2019; (iv) the Group has been encountering difficulties in obtaining adequate debt or equity financing from financial institutions or independent third parties since May 2019 on favourable terms and it has been relying on the financing from Mr. Lin Yuhao and Mr. Lin Yupa to repay the Group's indebtedness and maintain the Group's operations; (v) it will leverage on Mr. Lin Yuhao's and Mr. Lin Yupa's experience and knowledge in the agricultural business in its expansion of the existing agricultural business in the Guangdong province in the PRC as set out in the section headed "Information on the Subscriber, Mr. Lin Yuhao and Mr. Lin Yupa" and "Future intentions of the Subscriber regarding the Group" which is expected to bring long-term benefits to the Group; and (vi) the significant reduction in net loss of the Group for the financial year ended 31 December 2019 as disclosed in the Profit Alert Announcement would not be able to reverse the existing adverse financial difficulties encountered by the Company. Based on the above reasons, the Company considers that the discount of the Subscription Price to the market price of the Shares and the net asset value of the Group is commercially justifiable.

The Subscription Shares have a nominal value of HK$0.01 and a market value of HK$0.950 based on the closing price of HK$0.950 per Share on the date of the Subscription Agreement. After deducting expenses relating to the Subscription, the net proceeds from the Subscription is approximately HK$128.0 million. The net price per Subscription Share is approximately HK$0.64.

The aggregate Subscription Price amounts to HK$130.0 million which shall be payable in the following manner:

(a) subject to the approval by the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the Specific Mandate at the SGM and the issue and allotment of the Subscription Shares, HK$56.0 million will be offset against the total consideration for the Subscription as repayment of the Indebtedness due from the Group to Mr. Lin Yuhao at Completion; and

(b) the remaining HK$74.0 million shall be payable by the Subscriber at Completion in cash.

Upon Completion, the Subscription Shares shall be issued and credited as fully paid.

For details relating to the repayment of Indebtedness, please refer to section headed "Indebtedness of the Group — Indebtedness owed to connected persons of the Company" of this circular.

Conditions of the Subscription

The Subscription is conditional upon the fulfillment (or waiver, if applicable) of the following conditions:

(a) as required by the Listing Rules and the Takeovers Code, the passing of all necessary resolutions by the Independent Shareholders at the SGM approving:

   (i) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the granting of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber by way of ordinary resolution (representing more than 50% of the votes of the Independent Shareholders); and

   (ii) the Whitewash Waiver by way of special resolution (representing at least 75% of the votes by Independent Shareholders);

(b) the Listing Committee of the Stock Exchange granting approval for the allotment, issue, listing and trading of the Subscription Shares on the Stock Exchange (which shall not be revoked prior to Completion);

(c) granting of the Whitewash Waiver by the Executive and the Whitewash Waiver not having been revoked or withdrawn; and

(d) all actions by or in respect of or filings with, consents or approvals from any governmental or regulatory authority or other third parties required to permit the consummation of the transactions contemplated by the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) having been taken, made or obtained and all other relevant regulatory requirements having been complied with by the Company.

The condition in paragraph (d) may be waived by the Company in its sole discretion. Save for condition (d) above, the conditions set out above, including the approval of the Whitewash Waiver by at least 75% of the votes cast by Independent Shareholders at the SGM and the granting of the Whitewash Waiver by the Executive (conditions in paragraph (a) and (c) respectively), are not waivable by the Company or the Subscriber. As at the Latest Practicable Date, the Company has not identified any specific consents or approvals required under the condition in paragraph (d) above. If any of the conditions precedent set out above have not been fulfilled (or waived, if applicable) on or before 5:00 p.m. on the Long Stop Date, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) shall cease to have effect and terminate (save for certain provisions such as the confidentiality provision which shall survive termination) and none of the parties shall have any obligations and liabilities towards one another, without prejudice to the rights and obligations of any party in respect of any antecedent breaches of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

The SGM will be held for the purposes of considering and, if thought fit, approving (i) the Subscription and the Specific Mandate by way of ordinary resolution (representing more than 50% of the votes cast by Independent Shareholders); and (ii) the Whitewash Waiver by way of special resolution (representing at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll).

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

Completion

Completion shall take place on the Completion Date. At Completion, among other things, the Subscriber shall effect payment of HK$74 million in cash as the remaining balance of the aggregate Subscription Price and the Company shall allot and issue to the Subscriber the Subscription Shares.

Ranking

The Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Mandates for the issue of the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INDEBTEDNESS OF THE GROUP

As at 31 January 2020, the total borrowings of the Group amounted to approximately HK$251.4 million, of which approximately HK$147.6 million, representing approximately 58.7% of the total outstanding borrowings, were due to Mr. Lin Yuhao and Mr. Lin Yupa.

Indebtedness owed to connected persons of the Company

The Group has been significantly relying on the continuous financial support provided by Mr. Lin Yuhao and Mr. Lin Yupa by way of interest free personal loans from time to time since October 2018. In particular, (i) in November 2019, Mr. Lin Yuhao arranged for repayment of the Group's indebtedness in relation to the corporate bonds issued by the Company in the principal amount of RMB11,000,000 at 10% per annum interest which was due on 18 October 2019; and (ii) in December 2019, Mr. Lin Yuhao arranged for the repayment of the bank borrowings in the principal amount of RMB6,500,000 at 9% per annum interest which was due on 5 December 2019.

Details of the indebtedness due from the Group to Mr. Lin Yuhao and Mr. Lin Yupa as at 31 January 2020 are summarized in the following table:

Lender	**Nature of the indebtedness**	**Due date**	**Outstanding amount owed by the Group as at 31 January 2020** *(approximate)* *(HK$)*
Mr. Lin Yuhao	Promissory note in the outstanding principal amount of HK$24,990,000	31 July 2020	27,239,100 *(Note 1)*
	Interest free personal loans	Repayable on demand	82,605,417 *(Note 1)*
		Sub-total (A)	109,844,517

Lender	Nature of the indebtedness	Due date	**Outstanding amount owed by the Group as at 31 January 2020** *(approximate)* *(HK$)*
Mr. Lin Yupa	Promissory note in the outstanding principal amount of HK$10,000	31 July 2020	10,900 *(Note 2)*
	Interest free personal loans	Repayable on demand	37,714,004 *(Note 2)*
		Sub-total (B)	37,724,904
		Total (A+B)	**147,569,421**

Notes:

(1) As at 31 January 2020, of the total outstanding indebtedness owed to Mr. Lin Yuhao, (i) HK$27,239,100 was the outstanding amount due from the Company pursuant to an unsecured promissory note in the principal amount of HK$24,990,000 with an interest rate of 3% (accrued up to 23 September 2018) due on 31 July 2020; and (ii) HK$82,605,417 was the outstanding amount due from the Company pursuant to multiple unsecured and non-interest bearing personal loans provided by Mr. Lin Yuhao which is repayable on demand. The aforementioned promissory note was issued by the Company on 24 September 2015 as part of the consideration for the acquisition of Golden Rich (HK) Limited to Mr. Lin Yuhao as one of the vendors.

(2) As at 31 January 2020, of the total outstanding indebtedness owed to Mr. Lin Yupa, (i) HK$10,900 was the outstanding amount due from the Company pursuant to an unsecured promissory note in the principal amount of HK$10,000 with an interest rate of 3% (accrued up to 23 September 2018) due on 31 July 2020; and (ii) HK$37,714,004 was the outstanding amount due from the Company pursuant to multiple unsecured and non-interest bearing personal loans provided by Mr. Lin Yupa which is repayable on demand. The aforementioned promissory note was issued by the Company on 24 September 2015 as part of the consideration for the acquisition of Golden Rich (HK) Limited to Mr. Lin Yupa as one of the vendors.

(3) Pursuant to the supplemental agreement entered into between the Company and Mr. Lin Yuhao and Mr. Lin Yupa, respectively, on 30 January 2020, each of Mr. Lin Yuhao and Mr. Lin Yupa agrees to extend the maturity date of the aforementioned promissory note from 31 January 2020 to 31 July 2020.

In respect of various interest free personal loans owed by the Company to Mr. Lin Yuhao in the aggregate amount of HK$82,605,417, the loan proceeds was mainly applied for the following purposes: (i) general working capital for settlement of account payables, payment of salary and office rental, outsourcing fee in relation to agricultural business and other operating expenses; (ii) capital injection to Golden Rich Securities Limited, a wholly-owned subsidiary of the Company;

(iii) repayment of two PRC bank loans in the aggregate principal amount of RMB6,500,000 which was due on 5 December 2019; and (iv) repayment of corporate bond in the principal amount of RMB11,000,000 which was due on 18 October 2019.

In respect of various interest free personal loans owed by the Company to Mr. Lin Yupa in the aggregate amount of HK$37,714,004, the loan proceeds was mainly applied for the following purposes: (i) general working capital for settlement of account payables, payment of salary and office rental, outsourcing fee in relation to agricultural business and other operating expenses; and (ii) capital injection to Golden Rich Securities Limited, a wholly-owned subsidiary of the Company.

It is expected that further loans will be advanced by Mr. Lin Yuhao and Mr. Lin Yupa to fund the daily operating expenses of the Group as and when necessary until the Subscription is completed.

Upon Completion, as part of the consideration for the Subscription, Mr. Lin Yuhao agrees to waive and release the outstanding Indebtedness in the equivalent amount of HK$56.0 million owed by the Company to him under the interest-free personal loans.

As at 31 January 2020, the Group owed in aggregate approximately HK$109,844,517 to Mr. Lin Yuhao. Upon Completion and after offsetting HK$56 million against the consideration for the Subscription, based on the indebtedness owed by the Group to Mr. Lin Yuhao as at 31 January 2020, the remaining indebtedness owed by the Group to Mr. Lin Yuhao would be approximately HK$53,844,517.

In addition to the above indebtedness owed by the Group to Mr. Lin Yuhao and Mr. Lin Yupa, as at 31 January 2020, the Group owed approximately HK$13,249,460 to a director of a subsidiary of the Company, namely Mr. Lin Zhiqun, and HK$2,620,000 to an executive Director, namely Ms. Diao Jing, pursuant to unsecured non-interest bearing personal loans respectively.

Third Party Indebtedness

As at 31 January 2020, other than those due to the connected persons of the Company, the Group's indebtedness owed to other third parties amounted to approximately HK$87,964,587, comprising (i) amount due to a third party lender (including interest accrued) pursuant to convertible bonds issued by the Company in an outstanding principal amount of HK$39,552,837 at 5% per annum interest due in February 2019 (the "**Defaulted CB**"); (ii) amount due to third party lenders (including interest accrued) pursuant to corporate bonds issued by the Company in an aggregate outstanding principal amount of approximately RMB22,599,621 at 10% per annum interest due by June 2020; (iii) amount due to a third party lender pursuant to an unsecured loan in an outstanding amount of RMB500,000 at 10% per annum interest which is repayable on demand; (iv) a secured bank borrowing (including interest accrued) in the outstanding principal amount of RMB7,500,000 at 12% per annum interest which is due on 10 July 2020; (v) a secured bank borrowing in the outstanding amount of RMB6,000,000 with an interest rate of 9% per annum which is due on 19 December 2022; and (vi) a finance lease over an office vehicle of the Group payable to a third party lender in outstanding amount of HK$58,728 is secured by the pledge on the relevant vehicle of the Group. Over 90% of the above indebtedness have been due or is due within six months from the Latest Practicable Date.

Reference is made to the inside information announcement of the Company on 22 February 2019 in respect of the Defaulted CB. On 26 June 2019, the Company repaid HK$3.0 million principal amount of the Defaulted CB to the relevant holder and the Group has been still negotiating with the holder of the Defaulted CB regarding the outstanding principal amount and interest accrued in respect of the Defaulted CB. According to the terms and conditions of Defaulted CB, there is no additional penalty required to be paid by the Company. As of the Latest Practicable Date, the holder of the aforementioned convertible bonds has not commenced legal proceedings against the Company in respect of the Defaulted CB. Based on the information available to the Company, the Company is not aware that the holder of the Defaulted CB is a Shareholder of the Company.

The gearing ratio of the Group, calculated by total interest bearing debt (excluding trade and other payables, tax payables, deferred income and lease liabilities) to total shareholders' equity, was about 0.8 as at 30 June 2019. It has been the intention of the Board to improve the Group's short term liquidity problem as well as to minimise its reliance on Mr. Lin Yuhao for financing.

Upon Completion, the Company intends to apply approximately HK$40.9 million for repayment of the Defaulted CB. Upon Completion and the repayment of the Defaulted CB, based on the indebtedness owed by the Group to those third parties other than connected persons of the Company as at 31 January 2020, the remaining indebtedness owed by the Company to third parties would be reduced to approximately HK$47,084,292.

The Directors consider that the Subscription will (i) allow the Group to lower its debt level and strengthen its financial position; (ii) provide funding for the Group to develop its existing agricultural business in the PRC; and (iii) strengthen the working capital bases for the Group's operation.

INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION

Upon Completion, the gross proceeds and the net proceeds from the Subscription will be HK$130.0 million and approximately HK$128.0 million, respectively. The net proceeds are to be applied as follows:

(i) as to approximately HK$40.9 million (representing approximately 31.9% of the net proceeds) for repayment of outstanding indebtedness arising from the Defaulted CB;

(ii) as to approximately HK$56.0 million (representing approximately 43.8% of the net proceeds) for repayment of the Indebtedness of the Group due to Mr. Lin Yuhao;

(iii) as to approximately HK$20.0 million (representing approximately 15.6% of the net proceeds) for expanding its the existing agricultural business of the Group in the Guangdong province in the PRC; and

(iv) as to approximately HK$11.1 million (representing approximately 8.7% of the net proceeds) for the general working capital of the Group.

In respect of the HK$20.0 million which will be applied for expanding its existing agricultural business of the Group, the Company and the Subscriber intend to apply it in the following manner:

- approximately HK$2.5 million, being the expected annual rental for the proposed leasing of approximately 300 to 450 hectares farmland in the Guangdong province in the PRC for farming of agricultural products (the "**New Farmlands**");

- approximately HK$3.0 million for preparing and tilling the soil for agricultural use, constructing infrastructure of the water and sewage system, electricity supply and other fundamental facilities and road maintenance and improvement in respect of the New Farmlands in the Guangdong province in the PRC;

- approximately HK$2.0 million for hiring new team (covering accounting, cashier, head of plant base, foreman, warehouse manager, procurement and quality control) and set up of building office and staff quarter for the new plant base in the Guangdong province in the PRC;

- approximately HK$5.2 million for the prepayment outsourcing fees payable to the local farmers who assist the cultivating agricultural produce for the Group in the New Farmlands in the Guangdong province in the PRC and the relevant prepayment will cover the procurement costs of raw materials, including soil, seeds and fertilizers from various neighbourhood farms; and

- approximately HK$7.3 million for payment of annual rental of the existing farmlands.

For further details relating to the business expansion of the agricultural operation in the Guangdong province in the PRC, please refer to section headed "Future intentions of the Subscriber regarding the Group" in this "Letter from the Board" of this circular.

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the relevant securities of the Company (as defined in the Takeovers Code) in issue comprise (i) 102,083,407 Shares; (ii) 3,030,000 Preference Shares, the conversion of which in full will result in the issue of 15,150 Shares (reflecting the adjustment of the conversion ratio to "**200 Preference Shares to 1 Share**" as a result of share consolidation exercises that took effect on 25 June 2018 and 25 April 2019 respectively); and (iii) 5,657,956 Share Options, the exercise of which in full will result in the issue of 5,657,956 Shares. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and full conversion of Preference Shares).

	As at the Latest Practicable Date		Immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)		Immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and full conversion of Preference Shares)(3)	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Non-public Shareholders						
Subscriber and the parties in acting in concert with it(1)	4,315,087	4.2%	204,315,087	67.6%	207,225,251	67.3%
Diao Jing(2)	1,505,548	1.5%	1,505,548	0.5%	1,505,548	0.5%
Directors of subsidiaries of the Company (not being Director of the Company)	945,216	0.9%	945,216	0.3%	945,216	0.3%
Subtotal	**6,765,851**	**6.6%**	**206,765,851**	**68.4%**	**209,676,015**	**68.1%**
Public Shareholders						
Other public shareholders	95,317,556	93.4%	95,317,556	31.6%	98,080,498	31.9%
Total	**102,083,407**	**100.0%**	**302,083,407**	**100.0%**	**307,756,513**	**100.0%**

Note:

(1) The Subscriber, which held 4,315,087 Shares, is wholly and beneficially owned by Mr. Lin Yuhao.

(2) Ms. Diao Jing is an executive Director of the Company.

(3) As at the Latest Practicable Date, the Company has (i) 5,657,956 outstanding Share Options, the details of which are set out in "2. Share Capital — (b) Share Options" of Appendix II of this circular; and (ii) 3,030,000 issued non-redeemable Preference Shares, the conversion of which in full will result in the issue of 15,150 Shares on the basis that 200 Preference Share is eligible to convert into one Share at nil consideration. According to the terms and conditions of the Preference Shares, the Subscription would not trigger a compulsory conversion of the Preference Shares. As at the Latest Practicable Date, the registered owner and the beneficial owner of 3,030,000 Preference Shares is Mr. Chen Changjie (陳昌杰). As at the Latest Practicable Date, the Company has not received any notice from the holder of the Preference Shares regarding his decision to exercise the conversion of the Preference Shares.

The Subscriber is an entity controlled by Mr. Lin Yuhao, a non-executive Director of the Company, and hence the Subscriber is an associate (as defined under the Listing Rules) of Mr. Lin Yuhao and a connected person of the Company. The Subscriber will become a controlling shareholder of the Company following the Completion.

As at the Latest Practicable Date, the Company has a total of 5,657,956 outstanding Share Options outstanding which were granted under the Share Option Scheme.

On 6 March 2020, a total of 2,060,569 Share Options have been exercised by the following individuals at the exercise price of HK$1.144, which was pre-determined at the time of grant of the relevant Share Options, and 2,060,569 Shares have been issued pursuant to the Share Option Scheme on 16 March 2020, the details are as follows:

- 945,216 Share Options were exercised by Ms. Diao Jing, an executive Director;
- 850,695 Share Options were exercised by Mr. Lin Zhiqun, a director of a wholly-owned subsidiary of the Company and the nephew of Mr. Lin Yuhao;
- 94,521 Share Options were exercised by Mr. Wong Ching Wan, a director of a wholly-owned subsidiary of the Company; and
- 170,137 Share Options were exercised by the employees of the Company.

As of the Latest Practicable Date, Mr. Lin Yuhao held 1,539,948 Share Options of the Company entitling him to subscribe 1,539,948 Shares of the Company upon full exercise of the aforementioned Share Options; and (ii) Mr. Lin Yupa, who is a party acting in concert with Mr. Lin Yuhao, held 1,370,216 Share Options of the Company entitling him to subscribe 1,370,216 Shares of the Company upon full exercise of the aforementioned Share Options.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in (i) growing and trading of agricultural produce; and (ii) provision of money lending services.

According to the interim report of the Company for the six months ended 30 June 2019, the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK$20,893,000. As at 30 June 2019, the Group's gearing ratio was 0.8, which was measured as total interest bearing debt (excluding trade and other payables, tax payables, deferred income and lease liabilities) to total shareholders' equity. As at 30 June 2019, the total indebtedness of the Group (excluding the discontinued operation) amounted to approximately HK$163.8 million. The total indebtedness of the Group (excluding the discontinued operation) further increased to approximately HK$251.4 million as at 31 January 2020. For details, please refer to the section headed "Indebtedness of the Group" in this "Letter from the Board".

The Company has encountered difficulties in recent years which have adversely affected the Group's financials, liquidity, operations and prospects. In February 2019, the Company defaulted the repayment of the Defaulted CB and published an inside information announcement on 22 February 2019. This negative news further hindered the ability of the Company to secure financing from banks and procure underwriting offers for a rights issue or open offer from securities firms in order to improve its financial condition and develop its business. Since October 2018, as there have been no other sufficient available debt or equity financing alternatives available to the Company, the Company has been relying on Mr. Lin Yuhao and Mr. Lin Yupa to provide various interest-free personal loans to sustain the Group daily operation expenses and to repay certain overdue indebtedness of the Company. For details of the indebtedness owed to Mr. Lin Yuhao and Mr. Lin Yupa, please refer to the section headed "Indebtedness of the Group" of this "Letter from the Board".

In light of the significant amount of outstanding indebtedness of the Group, the Directors consider it essential to recapitalise the Company and restore its financial health so as to allow the Group to embark on new opportunities which may create more value to the Shareholders. The Subscriber has also expressed to the Company its preference to continue and expand its existing business and that Completion will provide the Company with additional capital to continue achieve the result. As described in the section headed "The Subscription" above, substantial part of the proceeds from the Subscription will be used for partial repayment the Third Party Indebtedness of the Group and repayment of the Indebtedness owed to Mr. Lin Yuhao in order to improve short-term liquidity problems and the Group's reliance on Mr. Lin Yuhao and Mr. Lin Yupa.

Immediately upon Completion, the Group is expected to significantly reduce its indebtedness by approximately HK$96.9 million and improve its short-term liquidity problems. Shareholders and investors should note that the aforesaid financial effects are subject to annual audit for the year ended 31 December 2019 and will depend on the financial position of the Group as at the Completion Date. The Company therefore considers that it is in the best interest of the Group and its shareholders as a whole to proceed with the Subscription as (a) it would resolve the instant financial difficulty of the Company; (b) it would substantially decrease the gearing ratio of the Group; (c) it would provide additional funds for business expansion as well as general working capital; and (d) with the background of Mr. Lin Yuhao and Mr. Lin Yupa, it will help the Group to further develop its existing agricultural business and the proposed Subscription will align the interest of the Company and the Subscriber to improve the financial performance of the Group as a whole.

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the trade receivables arising from trading of agricultural produce of approximately HK$202.0 million has an average credit period of 60 days, among which approximately HK$162.5 million receivables had aged over 120 days and approximately HK$39.4 million receivables had aged from 61 days to 120 days. The Group has been actively liaising with the relevant customers, which covers large number of wholesale distributors, individual customers and supermarkets, to collect the receivables aged more than the average credit period. The Company also notes that there exists practical difficulties and uncertainty to recover all of its receivables from such large number of customers for the purpose of resolving this short-term liquidity problem of the Group. Therefore, the Company considers that it is unrealistic and impracticable to settle the outstanding indebtedness in a timely manner solely rely on the proceeds from the collection of the trade and other receivables.

In respect of the repayment of Indebtedness to Mr. Lin Yuhao by way of offsetting HK$56 million against the consideration for the Subscription, the Company noted that Mr. Lin Yuhao arranged for repayment of certain interest-carrying indebtedness of the Group. In particular, (i) in November 2019, Mr. Lin Yuhao arranged for repayment of the corporate bonds issued by the Company in the principal amount of RMB11,000,000 at 10% per annum interest which was due on 18 October 2019; and (ii) in December 2019, Mr. Lin Yuhao arranged for the repayment of the bank borrowings in the principal amount of RMB6,500,000 at 9% per annum interest which was due on 5 December 2019. The Group has been significantly relying on the continuous financial support provided by Mr. Lin Yuhao and Mr. Lin Yupa by way of interest-free personal loans from time to time since October 2018. Considering that the remaining outstanding interest-carrying borrowings owed to other third party lenders have not yet become overdue (other than the Defaulted CB which is expected to be repaid with the net proceeds from the Subscription), the Company considers that it is commercially reasonable to repay certain portion of the interest-free personal loans of Mr. Lin Yuhao as part of the off-set arrangement under the Subscription. As indicated by Mr. Lin Yuhao and Mr. Lin Yupa, the Company is given to understand that, after Completion and off-setting the Indebtedness, Mr. Lin Yuhao and Mr. Lin Yupa will continue to remain supportive and committed to the Group to further develop and manage its existing agricultural business.

Upon Completion, immediately after offsetting HK$96.9 million against the consideration for the Subscription and repayment of the Defaulted CB, the remaining indebtedness owed by the Group would be approximately HK$154.5 million (with reference to the outstanding indebtedness as at 31 January 2020). The Company expects to repay the remaining indebtedness (including the remaining outstanding indebtedness owed to Mr. Lin Yuhao and Mr. Lin Yupa) by the trade and other receivables, loan receivables or other internal resources generated through its business operation. As disclosed in the interim results for the six months ended 30 June 2019 of the Group, there were approximately HK$237.0 million trade and other receivables and approximately HK$184.3 million loan receivables as at 30 June 2019. Of the trade and other receivables of approximately HK$237.0 million as at 30 June 2019, approximately HK$202.0 million was trade receivables arising from trading of agricultural produce to customers covering wholesale distributors, individual customers and supermarkets with an average credit period of 60 days. According to the internal records of the Company, for the period from 1 July 2019 to 31 December 2019, the Company has collected approximately HK$15.8 million trade receivables relating to the agricultural produce from its customers. The Company from time to time conducts physical site visits and makes regular telephone contacts with its customers to follow up the status of the outstanding trade receivables.

Based on the unaudited management accounts of the Group for the year ended 31 December 2019, (i) the trade receivables of the agricultural business amounted to approximately RMB255.1 million; and (ii) the trade receivables from top 10 customers in the agricultural business amounted to approximately RMB228.1 million, representing approximately 89.4% of the total trade receivables in the agricultural business during the corresponding period. In late 2018, the Group adopted a more market-oriented business model from "self-production" model with employed farmers to the "subcontracting arrangement" model where the Group provides production equipment and is responsible for the farmland rental, the costs of fertilizers, utilities, maintenance and other expenses. By adopting such model, the Board believes that it incentivizes the farmers and eventually scales up the production outputs of the Group. Based on the internal records of the Group, after the changing to "subcontracting arrangement", the annual sale volume of agricultural produce almost doubled from approximately 34.8 million kg in the financial year ended 31 December 2018 to approximately 60.1 million kg in the financial year ended 31 December 2019. According to the unaudited financial statements of the Group, the sale of agricultural produce surged to approximately HK$167.7 million for the six months ended 30 June 2019 (as compared with approximately HK$118 million for the financial year ended 31 December 2018). In late 2019, to align with the strategy change to subcontracting arrangement which leads to significantly increase of the sale volume of agricultural produce, the Group considers that it is commercially justifiable to offer a longer credit period in order to facilitate the operation and liquidity of its customers after purchasing a large quantity of short shelf-life fresh agricultural produces from the Group.

The management of the Group has regularly communicated with those customers for a better understanding of the business and financial position of the customers so as to assess the credit risk of each of the customers. The Company has made recent enquiries with its top 10 customers and given to understand that after entering into the U.S.-China Phase 1 trade deal on 15 January 2020 and the effective control of the coronavirus outbreak in Mainland China, their business operation has gradually resumed normal and they have confirmed to the Company that they will settle our trade receivables by monthly instalments. Based on the above, the Company estimates that approximately RMB120 million of the outstanding amount of trade receivables, representing approximately 47% of the trade receivables of the Group as at 31 December 2019, will be settled by its customers on or before 30 June 2020.

Having considered its relationships with the wholesale distributors, individual customers and supermarkets, and the previous payment collection track records, the Company is confident that it will be able to collect most of the trade and other receivables gradually which could be applied for repayment of the remaining indebtedness due to Mr. Lin Yuhao, Mr. Lin Yupa and other third party lenders when these indebtedness become due.

Having considered the above, Ms. Diao Jing, being the only Director in the Board after excluding (i) Mr. Lin Yuhao who is involved in or interested in the Subscription, the Specific Mandate and the Whitewash Waiver; (ii) Mr. Lin Yupa who is a party acting in concert with Mr. Lin Yuhao; and (iii) the independent non-executive Directors whose views are set forth in the "Letter from the Independent Board Committee" after taking into consideration of the advice of the Independent Financial Adviser, believes that the Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE SUBSCRIBER, MR. LIN YUHAO AND MR. LIN YUPA

The Subscriber

The Subscriber is a limited liability company incorporated under the laws of the British Virgin Islands whose entire issued share capital is wholly-owned by Mr. Lin Yuhao, a non-executive Director and the chairman of the Board. The principal business of the Subscriber is investment holding.

Mr. Lin Yuhao

Mr. Lin Yuhao is currently the chairman of the Board and a non-executive director of the Company. He was appointed as an executive Director and the chairman of the Board on 13 May 2016 and has been re-designated from an executive Director to a non-executive Director of the Company with effect from 10 March 2017. Mr. Lin Yuhao obtained an Executive Master's degree in Business Administration from University of Liege, Belgium. Mr. Lin, was the vice president of 深圳市企業聯合會 (Shenzhen Business Association[#]) and 深圳市企業家協會 (Shenzhen Entrepreneurs Association[#]), the vice chairman of 深圳市龍崗區坂田街道工商聯會(商會) (Shenzhen Longgang Bantian Street Federation of Industry and Commerce[#]), and the vice-president of 深圳社會組織總會 (Shenzhen Non-Governmental Organization Federation[#]).

Mr. Lin Yuhao is the younger brother of Mr. Lin Yupa.

Mr. Lin Yupa

Mr. Lin Yupa, elder brother of Mr. Lin Yuhao, is a party acting in concert with Mr. Lin Yuhao under class (8) of the definition of "acting in concert" in the Takeovers Code. Mr. Lin Yupa has been an executive director of the Company since 18 April 2019. He is currently a director of certain subsidiaries of the Company in the agriculture produce business, namely, Hong Kong Congyu Development Company Limited, Hong Kong Congyu Agricultural Trading Development Company Limited, Hong Kong Congyu Food Trading Company Limited, 廣東從玉農業集團有限公司 (Guangdong Cypress Jade Agricultural Group Company Limited#), 深圳市從玉食品貿易有限公司 (Shenzhen Cypress Jade Food Trading Company Limited#), 廣州綠源農業發展有限公司 (Guangzhou Luyuan Agricultural Development Company Limited#) and 江西安義從玉農業發展有限公司 (Jiangxi Anyi Congyu Agricultural Development Company Limited#). Mr. Lin Yupa is responsible for managing the day-to-day operation of the agriculture business of the Group in the PRC. Mr. Lin Yupa takes lead in coordinating with the suppliers and distributors and liaising with local governments on premises rental for the operation of the agriculture business. Mr. Lin Yupa graduated from 北京經濟技術研修學院 (Beijing Economic and Technological Research Institute#) with a diploma in economic management (經濟管理專業).

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

Based on the discussion among the Subscriber and the Company, it is intended that the Company will deploy certain portion of the net proceeds from the Subscription to expand its business operation in agricultural business in the Guangdong province in the PRC.

It is the intention of the Company and the Subscriber to gradually shift the Group's production bases to the Guangdong province in the PRC which has proven to be more productive than other existing production bases. As disclosed in the section headed "Intended use of proceeds from the Subscription" of this "Letter from the Board", part of the proceeds of the Subscription will be applied on the expansion of the agricultural production base in the Guangdong province in the PRC. The Company currently intends to lease approximately 300 to 450 hectares New Farmland in the Guangdong province, representing approximately an increase of 53% to 80% of the aggregate size of the existing production bases in Jiangxi, Ningxia and Guangdong in the PRC.

The Company considers the Guangdong province in the PRC is a desirable location for expansion of its production base as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces (compared to the available cultivation period from April to November in its existing production bases in Ningxia).

Having reviewed the historical operating data and the latest market information on the agriculture business, the Company has identified the relevant plants and crops that are suitable for cultivation in the Guangdong province in the PRC that could have multiple rounds of harvest over the year. The Group intends to plant the crops which have comparatively better yield and marketability, including but not limited to buddha's hand (佛手柑), celtuce (萵筍), kale (芥蘭) and choy sum (菜心). In addition, based on its existing established network of customers in Guangdong, focusing the production base in Guangdong would also localize the demand-and-supply chain in the same region and minimize the transportation costs.

The Board believes the proposed expansion in the Guangdong province in the PRC will enhance the revenue as well as gradually improve the long-term profitability of the Group.

Upon Completion, the Subscriber will become the controlling shareholder of the Company. Having considered the current financial position of the Group and the proposed application of the net proceeds from the Subscription as disclosed in this circular, the Subscriber considers and confirms that:

(a) it is the current intention of the Subscriber for the Group to continue the existing agricultural business of the Group; and

(b) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

In the event that the Subscription fails to complete, it is the intention of Mr. Lin Yuhao that he will demand immediate repayment of the outstanding indebtedness due from the Group to Mr. Lin Yuhao under the personal loans. Without the additional funding from the Subscription, the Company will not be able to settle the Defaulted CB or to provide any additional funding to the expansion of agricultural business.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Subscriber has confirmed that, as at the Latest Practicable Date, neither the Subscriber nor any parties acting in concert with it:

(a) owns, controls or has direction over any voting rights or rights over the Shares, options, warrants or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company, save for (i) the Subscription; (ii) the 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest

Practicable Date) held by the Subscriber; (iii) 1,539,948 Share Options of the Company held by Mr. Lin Yuhao entitling him to subscribe 1,539,948 Shares of the Company upon full exercise of the aforementioned Share Options; and (iv) 1,370,216 Share Options of the Company held by Mr. Lin Yupa entitling him to subscribe 1,370,216 Shares of the Company upon full exercise of the aforementioned Share Options;

(b) has dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares of the Company, during the Relevant Period, save for the Subscription;

(c) has received an irrevocable commitment to vote for the Subscription and/or the Whitewash Waiver;

(d) has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and/or the Whitewash Waiver, with any person;

(e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; and

(f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

CONFIRMATION OF NO SPECIAL DEALS

As at the Latest Practicable Date,

(a) other than the consideration under the Subscription, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Subscriber or any parties acting in concert with it to the Company or any Shareholder or any parties acting in concert with any of them;

(b) there was no understanding, arrangement, agreement or special deal between the Subscriber or any parties acting in concert with it on the one hand, and the Company, any Shareholder and any parties acting in concert with any of them on the other hand; and

(c) no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2)(a) the Subscriber or any parties acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

CONFIRMATION OF NO DISQUALIFYING TRANSACTIONS

Other than entering into the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), neither the Subscriber nor any party acting in concert with it, has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company or has dealt for value in any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of the securities of the Company during the Relevant Period.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Convertible bonds issued on 14 February 2019

On 14 February 2019, the Company issued convertible bonds with aggregate principal amount of HK$39,500,000 at conversion price of HK$0.091 (adjusted from HK$0.091 to HK$1.82 per Share as a result of the capital reorganisation effective on 25 April 2019) per Share to independent third parties pursuant to the specific mandate approved by the Shareholders of the Company at the special general meeting held on 24 January 2019. The convertible bonds are denominated in Hong Kong Dollars and carry an interest rate of 5% per annum. The holders of the convertible bonds, being independent third parties of the Company, are entitled to convert the convertible bonds into 434,065,930 Shares (adjusted from 434,065,930 Shares to 21,703,295 Shares as a result of the capital reorganisation effective on 25 April 2019) of the Company at initial conversion price of HK$0.091 at any time from the date of issue to 14 February 2020. The Shares upon conversion shall rank pari passu in all respects with all other existing Shares outstanding at the date of the conversion. On 4 June 2019, the convertible bonds with principal amount of HK$39,500,000 were converted in full into 21,703,295 Shares of the Company.

Convertible bonds issued on 25 March 2019

On 25 March 2019, the Company issued convertible bonds with aggregate principal amount of HK$18,592,000 at conversion price of HK$0.083 per Share (adjusted from HK$0.083 to HK$1.66 per Share as a result of the capital reorganisation effective on 25 April 2019) to independent third parties pursuant to general mandate granted to the Directors by the Shareholder at the annual general meeting held on 15 June 2018. The convertible bonds are denominated in Hong Kong Dollars and carry an interest rate of 5% per annum. The holders of the convertible bonds, being independent third parties of the Company, are entitled to convert the convertible bonds into 224,000,000 Shares (adjusted from 224,000,000 to 11,200,000 Shares as a result of the capital reorganisation effective on 25 April 2019) of the Company at any time from the date of issue to 25 March 2020. The Shares upon conversion shall rank pari passu in all respects with all other existing Shares outstanding at the date of the conversion. On 29 May 2019, the convertible bonds with principal amount of HK$18,592,000 were converted in full into 11,200,000 Shares of the Company.

Save and except for the above, the Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Lin Yuhao is a non-executive Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Subscriber, which is wholly-owned by Mr. Lin Yuhao, is an associate of Mr. Lin Yuhao and a connected person of the Company. As a result, the Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Mr. Lin Yuhao, being a party to the Subscription Agreement and the Supplemental Agreement, is interested in the Subscription and has abstained from voting at the Board meeting held to approve the Subscription. Mr. Lin Yupa, being the elder brother of Mr. Lin Yuhao and a party acting in concert with Mr. Lin Yuhao, has abstained from voting at the Board meeting held to approve the Subscription.

The issue of the Subscription Shares will also be subject to, amongst other things, the approval of the Independent Shareholders for the granting of the Specific Mandate at the SGM in accordance with the requirements of the Listing Rules.

APPLICATION FOR WHITEWASH WAIVER

Subject to fulfillment (or waiver, if applicable) of the conditions precedent of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), following Completion, the Subscriber and its concert parties, who are interested in an aggregate of 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest Practicable Date), will upon Completion in aggregate be interested in 204,315,087 Shares, representing approximately 67.6% of the then issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares).

As such, the Subscriber would be required to make a mandatory general offer to the Shareholders for all the issued shares and other securities of the Company (not already owned or agreed to be acquired by it or any parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it, and other Shareholders who are involved or interested in the Subscription, the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the SGM. Therefore, Mr. Lin Yuhao, who is interested in 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company), shall abstain from voting on the resolutions approving the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM.

The resolutions for (i) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Specific Mandate shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll). Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to approval by at least 75% of the votes cast by Independent Shareholders (either in person or by proxy) at the SGM. In the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Independent Shareholders at the SGM, the Subscription will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the aggregate shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all non-executive Directors (including independent non-executive Directors) who have no direct or indirect interest in the Subscription, the Specific Mandate and the Whitewash Waiver, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang, has been formed to advise the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver pursuant to the Takeovers Code. As Mr. Lin Yuhao, being a non-executive Director, is a party to the Subscription Agreement and the Supplemental Agreement and is involved in the Subscription, he would not be a member of the Independent Board Committee. Therefore, none of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription, the Specific Mandate and the Whitewash Waiver.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out in the "Letter from Messis Capital Limited" in this circular, considers that, although the transactions contemplated under the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of the Subscription Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver are fair and reasonable and 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 relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of Subscription Shares and the Specific Mandate) and the Whitewash Waiver.

Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Specific Mandate and the Whitewash Waiver.

The Independent Financial Adviser is of the opinion that, although the transactions contemplated under the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of the Subscription Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser advises the Independent Board Committee to recommend, and itself also recommends, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of Subscription Shares and the Specific Mandate) and the Whitewash Waiver.

SGM

The SGM will be held for the purposes of considering and, if thought fit, approving the Subscription, the Specific Mandate or the Whitewash Waiver. The Subscriber and parties acting in concert with it, and other Shareholders who are involved or interested in the Subscription Agreement and the Supplemental Agreement, the Specific Mandate and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Specific Mandate and the Whitewash Waiver to be proposed at the SGM. The voting in respect of the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM will be conducted by way of a poll.

Mr. Lin Yuhao, his associates and parties acting in concert with him and those who are involved in or interested in the Subscription and the repayment of the Indebtedness shall abstain from voting on the resolutions approving the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, Mr. Lin Yuhao is interested in 4,315,087 Shares, representing approximately 4.2% of the issued share capital of the Company. Save as disclosed above, to the best knowledge of the Directors, no other existing Shareholder has or is involved in a material interest in the Subscription, the Specific Mandate and the Whitewash Waiver and therefore no Shareholder is required to abstain from voting in relation to the resolutions to approve the Subscription, the Specific Mandate and the Whitewash Waiver to be proposed at the SGM.

A notice convening the SGM to be held at 4:00 p.m. on 15 April 2020 at Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, is set out on pages SGM-1 to SGM-3 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the SGM enclosed with this circular in accordance with the instructions printed thereon.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription, the Specific Mandate and the Whitewash Waiver; and (ii) the letter from Messis Capital Limited which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription, the Specific Mandate and the Whitewash Waiver.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out in the "Letter from Messis Capital Limited" in this circular, considers that, although the transactions contemplated under the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of the Subscription Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver are fair and reasonable and 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 relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of Subscription Shares and the Specific Mandate) and the Whitewash Waiver.

Ms. Diao Jing, being the only Director in the Board after excluding (i) Mr. Lin Yuhao, who is the shareholder of the Subscriber and a party to the Subscription Agreement and the Supplemental Agreement; (ii) Mr. Lin Yupa who is a party acting in concert with Mr. Lin Yuhao; and (iii) the independent non-executive Directors whose views are set forth in the "Letter from the Independent Board Committee" after taking into account the opinion and advice from the Independent Financial Adviser, considers that the Subscription Price is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the SGM.

The Subscription is subject to the fulfillment (or waiver, if applicable) of a number of conditions precedent set out under the section headed "The Subscription — Conditions of the Subscription" in this circular, including approval at the SGM by the Independent Shareholders of the Subscription, the Specific Mandate, the Whitewash Waiver, and the granting of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

By order of the Board
China Finance Investment Holdings Limited
Lin Yuhao
Chairman

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 875)

20 March 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) ISSUE OF SUBSCRIPTION SHARES TO CONNECTED PERSON UNDER SPECIFIC MANDATE; (2) PROPOSED REPAYMENT OF INDEBTEDNESS; AND (3) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 20 March 2020 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription, the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 34 of the Circular, and the letter from Messis Capital Limited, as set out on pages 37 to 79 of the Circular. Having considered the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Specific Mandate and the Whitewash Waiver, the advice given by Messis Capital Limited, and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that, although the transactions contemplated under the Subscription Agreement (as amended and supplemented by the

Supplemental Agreement) are not in the ordinary course of business of the Group, (a) the terms and conditions of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issuance of the Subscription Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve, among other things, the Subscription, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
On behalf of the Independent Board Committee of
China Finance Investment Holdings Limited

Mr. Li Shaohua	**Ms. Zhu Rouxiang**	**Ms. Li Yang**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

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

MESSIS 大有融資

20 March 2020

To: The Independent Board Committee and the Independent Shareholders of China Finance Investment Holdings Limited

Dear Sir/Madam,

(1) ISSUE OF SUBSCRIPTION SHARES TO CONNECTED PERSON UNDER SPECIFIC MANDATE; (2) PROPOSED REPAYMENT OF INDEBTEDNESS; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated 20 March 2020 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the Announcement and the Letter from the Board that, on 17 January 2020 (after trading hours), the Company, the Subscriber and Mr. Lin Yuhao entered into the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 200,000,000 Subscription Shares at an issue price of HK$0.65 per Subscription Share.

Mr. Lin Yuhao is a non-executive Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Subscriber, which is wholly-owned by Mr. Lin Yuhao, is an associate (as defined under the Listing Rules) of Mr. Lin Yuhao and a connected person of the Company. As a result, the Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Mr. Lin Yuhao, being a party to the Subscription Agreement and the Supplemental Agreement, is interested in the Subscription and has abstained from voting at the Board meeting held to approve the Subscription. Mr. Lin Yupa, being the elder brother of Mr. Lin Yuhao and a party acting in concert with Mr. Lin Yuhao, has abstained from voting at the Board meeting held to approve the Subscription.

The issue of the Subscription Shares will also be subject to, among other things, the approval of the Independent Shareholders for the granting of the Specific Mandate at the SGM in accordance with the requirements of the Listing Rules.

Subject to fulfilment (or waiver, if applicable) of the conditions precedent of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), following Completion, the Subscriber and its concert parties, who are interested in an aggregate of 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest Practicable Date), will upon Completion in aggregate be interested in 204,315,087 Shares, representing approximately 67.6% of the then issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares).

As such, the Subscriber would be required to make a mandatory general offer to the Shareholders for all the issued shares and other securities of the Company (not already owned or agreed to be acquired by it or any parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it, and other Shareholders who are involved or interested in the Subscription, the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the SGM. Therefore, Mr. Lin Yuhao, who is interested in 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company), shall abstain from voting on the resolutions approving the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM.

The resolutions for (i) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Specific Mandate shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll). Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to approval by at least 75% of the votes cast by Independent Shareholders (either in person or by proxy) at the SGM. In the event that the Whitewash Waiver is not granted or not approved by at least 75% of the votes cast by Independent Shareholders at the SGM, the Subscription will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the aggregate shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Independent Board Committee, comprising all non-executive Directors (including independent non-executive Directors) who have no direct or indirect interest in the Subscription, the Specific Mandate and the Whitewash Waiver, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang, has been formed to advise the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver pursuant to the Takeovers Code. As Mr. Lin Yuhao, being a non-executive Director, is a party to the Subscription Agreement and the Supplemental Agreement and is involved in the Subscription, he would not be a member of the Independent Board Committee. Therefore, none of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription, the Specific Mandate and the Whitewash Waiver. We, Messis Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with any of the Company, the Subscriber, Mr. Lin Yuhao or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice on the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. In the past two years from the date of our appointment, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and advice, we have relied on the statements, information, opinions and representations contained or referred to in this circular and the representations made to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

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

Our review and analyses were based upon, among other things, the information provided by the Company including the announcements and this circular and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, information set out in this circular and the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**") and the interim report of the Company for the six months ended 30 June 2019 (the "**Interim Report**"). We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent investigation into the business, affairs, borrowing and financial position or prospects of the Company, the Group or the Subscriber, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them, and the parties involved in the Subscription.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, we have considered the following principal factors and reasons as set out below:

1. Background information of the Group

(a) Principal business of the Group

The Company is principally engaged in the cultivation, processing and trading of agricultural products. The Company operates its business through two segments: (i) agricultural produce segment which cultivates and trades agricultural products such as vegetables; and (ii) money lending segment which engages in money lending business that provides personal loans and corporate loan services.

(b) Historical financial performance of the Group

Set out below is a summary of the audited financial results of the Group for the three years ended 31 December 2016, 2017 and 2018 ("**FY2016**", "**FY2017**" and "**FY2018**") as extracted from the 2017 Annual Report and the 2018 Annual Report and the unaudited financial results of the Group for the six months ended 30 June 2018 and 30 June 2019 ("**FP2018**" and "**FP2019**") as extracted from the Interim Report:

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	92,572	82,669	157,221	41,098	182,652
Gross profit	26,748	44,418	34,786	16,843	8,734
Gross profit margin	28.9%	53.7%	22.1%	41.0%	4.8%
Loss for the year/period attributable to owners of the Company	(520,683)	(72,929)	(158,594)	(34,398)	(20,893)

	For the year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue arising from continuing operations:					
— Agriculture business	80,206	45,521	118,079	20,983	167,781
— Money lending business	12,366	37,148	39,142	20,115	14,871
Segment results arising from continuing operations:					
— Agriculture business	(8,791)	(9,567)	(35,637)	(20,032)	(7,713)
— Money lending business	6,038	24,904	32,651	16,145	12,593

(i) Comparison between FP2019 and FP2018

The Group's revenue increased from approximately HK$41.1 million in FP2018 to approximately HK$182.7 million in FP2019, representing an increase of approximately HK$141.6 million or 344.4%, which was mainly contributed by the significant increase in revenue generated from the agricultural business of approximately HK$146.8 million. During the period, the Group continued to place viability as its top priority and decisively adjusted its strategies by minimising inventory level, promoting sales at competitive prices and increasing liquidity, however, due to the increase in production costs (including but not limited to labour and rental costs) and the worsening soil condition of certain farmlands which has affected profitability of the Group's agricultural business. As a result of the above, the revenue from agriculture business has increased by approximately HK$146.8 million from approximately HK$21.0 million for FP2018 to approximately HK$167.8 million for FP2019 whereas the segment result from agriculture business recorded a loss of approximately HK$7.7 million for FP2019 (FP2018: approximately HK$20.0 million).

The gross profit of the Group was approximately HK$8.7 million during FP2019, representing a decrease of approximately HK$8.1 million or 48.2% as compared to approximately HK$16.8 million for FP2018, while the gross profit margin was approximately 4.8% for FP2019 as compared to the gross profit margin of approximately 41.0% for FP2018. The decrease in gross profit was mainly due to the deteriorated profitability of the Group's agricultural business as a result of (i) fierce competition in the agricultural market and the general decreasing trend in average selling price of vegetables; (ii) the increase in production costs (including but not limited to labour and rental costs); and (iii) the worsening soil condition of certain farmlands.

The net loss of the Group was approximately HK$20.9 million in FP2019 as compared to a net loss of approximately HK$34.4 million in FP2018, representing a decrease of approximately HK$13.5 million or 39.3%. Such decrease in loss was mainly due to (i) the decrease in administrative expenses attributable to the decrease in staff costs; (ii) the decrease in selling and distribution expenses mainly attributable to the decrease of the salaries, transportation and packaging costs of the agricultural produce; and (iii) the decrease in other operating expenses mainly attributable to less depreciation of Renminbi during FP2019 resulting in an exchange loss, and there were no impairment loss for trade receivables and no impairment loss for loan receivables during FP2019.

(ii) Comparison between FY2018 and FY2017

The Group's revenue increased by approximately 90.1% from approximately HK$82.7 million in FY2017 to approximately HK$157.2 million in FY2018, which was mainly due to increase in revenue from agriculture business during FY2018 of approximately HK$72.6 million. During the year, the Group placed viability as its top priority and decisively adjusted its strategies by minimising inventory level, promoting sales at competitive prices and increasing liquidity, however, due to the increase in production costs (including but not limited to labour and rental costs) and the worsening soil condition of certain farmlands, the profitability of the Group's agricultural business has been affected. As a result of the above, the revenue from agriculture business has increased by approximately HK$72.6 million from approximately HK$45.5 million for FY2017 to approximately HK$118.1 million for FY2018 whereas the segment loss from agriculture business has increased by approximately HK$26.0 million from approximately HK$9.6 million for FY2017 to approximately HK$35.6 million for FY2018.

The gross profit of the Group was approximately HK$34.8 million during FY2018, representing a decrease of approximately HK$9.6 million or 21.6% as compared to approximately HK$44.4 million for FY2017, while the gross profit margin was approximately 22.1% for FY2018 as compared to the gross profit margin of approximately 53.7% for FY2017. The decrease in gross profit was mainly due to the deterioration of the negative gross profit margin recorded by the Group's agricultural business which was attributable to the increase in the self-plantation costs and decrease in unit selling price of vegetables.

The net loss of the Group for FY2018 was approximately HK$158.6 million as compared to a net loss of approximately HK$72.9 million for FY2017, representing an increase of approximately HK$85.7 million or 117.6%. Such increase was mainly due to (i) significant increase in other operating expenses mainly attributable to impairment of goodwill in relation to the acquisition of micro finance business of approximately HK$35.0 million, impairment losses of loan receivables of approximately HK$8.5 million and the foreign exchange losses of approximately HK$21.4 million during FY2018; and (ii) share of result and impairment loss of Shenzhen Qianhai Gelin Internet Financial Services Company Limited, an associate of the Company, of approximately HK$44.1 million.

(iii) Comparison between FY2017 and FY2016

The Group's revenue decreased by approximately HK$9.9 million or 10.7% from approximately HK$92.6 million in FY2016 to approximately HK$82.7 million in FY2017, which was mainly due to the decrease in average selling price, increase in production costs and downsizing of trading in agricultural produce. The agriculture business of the Group recorded a significant drop in revenue from approximately HK$80.2 million in FY2016 to approximately HK$45.5 million in FY2017.

The Group's gross profit increased by approximately HK$17.7 million or 66.1% from approximately HK$26.7 million in FY2016 to approximately HK$44.4 million in FY2017. The increase in gross profit is mainly attributable to the continuous growth and expansion of the money lending business of the Group in the PRC.

The net loss of the Group was approximately HK$72.9 million in FY2017 as compared to a net loss of approximately HK$520.7 million for FY2016. The substantial net loss of the Group for FY2016 was mainly attributable to certain other operating expenses including the impairment loss of various assets (deposits and prepayments and interest in an associate) and the loss of expiration of other financial asset and early redemption of promissory notes amounted to approximately HK$375.7 million in total which did not incur in FY2017, resulting in the substantial reduction in the net loss of the Group for FY2017. The net loss of the Group for FY2017 was mainly due to (i) the impairment of goodwill in relation to the acquisition of micro finance business in China of approximately HK$17.6 million; (ii) the recognition of impairment losses for property, plant and equipment of approximately HK$13.1 million; (iii) the impairment of trade and other receivables of approximately HK$10.6 million; (iv) loss from discontinued operations of approximately HK$8.5 million; and (v) the operating loss from agricultural business.

(c) Financial position of the Group

Set out below is the summary of the audited financial position of the Group as at 31 December 2017 and 2018 as extracted from the 2018 Annual Report and the unaudited financial position of the Group as at 30 June 2019 as extracted from the Interim Report:

	As at 31 December 2017 *(audited)* *HK$'000*	**As at 31 December 2018** *(audited)* *HK$'000*	**As at 30 June 2019** *(unaudited)* *HK$'000*
Bank balances and cash	10,247	4,834	1,290
Current assets	335,463	390,954	467,599
Current liabilities	139,998	240,051	315,714
Non-current liabilities	5,943	31,654	47,209
Total assets	477,953	454,030	566,892
Total borrowings	85,234	189,624	163,788
Total liabilities	145,941	271,705	362,923
Net current assets	195,465	150,903	151,885
Equity attributable to owners of the Company	332,012	182,325	203,400
Gearing ratio	0.26	1.04	0.81

Regarding the financial position of the Group, the bank balances and cash of the Group decreased by approximately HK$5.4 million or 52.8% from approximately HK$10.2 million as at 31 December 2017 to approximately HK$4.8 million as at 31 December 2018, which has further decreased by HK$3.5 million or 73.3% to approximately HK$1.3 million as at 30 June 2019. Such decrease was mainly attributable to (i) the continue losses made by the Group for the past few years; and (ii) the continuous net cash used in the Group's operating activities during the past few years.

The total assets of the Group decreased by approximately HK$24.0 million or 5.0% from approximately HK$478.0 million as at 31 December 2017 to approximately HK$454.0 million as at 31 December 2018. The total assets of the Group increased by approximately HK$112.9 million or 24.9% to approximately HK$566.9 million as at 30 June 2019, which was mainly due to the combined effect of (i) increase in trade and other receivables and right-of-use assets; and (ii) decrease in loan receivables.

The total borrowings of the Group which comprised of convertible bonds, bonds, promissory notes and bank and other borrowings increased by approximately HK$104.4 million or 122.5% from approximately HK$85.2 million as at 31 December 2017 to approximately HK$189.6 million as at 31 December 2018 due to the increase of bank and other borrowings, bonds and convertible bonds. The Group's total borrowing decreased slightly by HK$25.8 million, or 13.6% to approximately HK$163.8 million as at 30 June 2019 mainly due to the decrease in bank and other borrowings. The Group's bank and other borrowings decreased from approximately HK$79.8 million as at 31 December 2018 to approximately HK$53.1 million as at 30 June 2019, representing a decrease of approximately HK$26.7 million. Such decrease was mainly due to the combined effect of (i) the repayment of certain short-term personal loans from independent third parties with an aggregate amount of approximately HK$39.6 million; (ii) the repayment of a portion of director's loan owed to Mr. Lin Yupa of approximately HK$1.7 million; and (iii) the drawdown of a new director's loan from Mr. Lin Yuhao of approximately HK$14.3 million. As understood from the Management, the Group sourced the relevant funds for such loan repayments through the issuance of convertible bonds in February and March 2019 with aggregate principal amount of HK$39.5 million and HK$18.9 million as disclosed in the Company's announcement dated 14 February 2019 and 25 March 2019, respectively.

The total liabilities of the Group increased by approximately HK$125.8 million or 86.2% from approximately HK$145.9 million as at 31 December 2017 to approximately HK$271.7 million as at 31 December 2018, which was mainly due to the increase in total borrowings, trade payables, tax payables and liabilities associated with disposal group held on sale. The total liabilities of the Group further increase to approximately HK$362.9 million as at 30 June 2019 mainly attributable to the increase in trade payables, lease liabilities and liabilities associated with disposal group held for sale.

The audited/unaudited consolidated net assets attributable to owners of the Company increased by approximately HK$21.1 million or 11.6% from HK$182.3 million as at 31 December 2018 to HK$203.4 million as at 30 June 2019, which was mainly due to the increase in total asset for approximately HK$112.9 million whereas the total liabilities had only increased by approximately HK$91.2 million.

The Group's gearing ratio was approximately 0.26, 1.04 and 0.81 as at 31 December 2017, 31 December 2018 and 30 June 2019, respectively. The increase from approximately 0.26 as at 31 December 2017 to approximately 1.04 as at 31 December 2018 was mainly due to the combined effect of (i) the increase in total borrowings; and (ii) the decrease in equity attributable to owners of the Company as mentioned above. The decrease from approximately 1.04 as at 31 December 2018 to approximately 0.81 as at 30 June 2019 was mainly due to the combined effect of (i) the slight decrease in total borrowings; and (ii) the increase in equity attributable to owners of the Company as mentioned above.

(d) The Group's business plan on the New Farmlands

As set out in Letter from the Board, the Group plans to improve its business and financial performance by deploying certain portion of the net proceeds from the Subscription to expand its business operation in agricultural business in the Guangdong province in the PRC. In order to improve the profitability of its agricultural business, the Group intends to implement the following business strategies:

(i) Gradually shift the Group's production bases to the Guangdong province

As at the Latest Practicable Date, farmlands leased by the Group comprised an aggregate area of approximately 8,400 mu, of which (i) approximately 1,300 mu were located in Guangdong province; (ii) approximately 3,000 mu were located in Jiangxi province; and (iii) approximately 4,100 mu were located in Ningxia province. The Company and the Subscriber intend to apply the portion of approximately HK$2.5 million of the net proceeds from the Subscription for the proposed leasing of approximately 300 to 450 hectares (equivalent to approximately 4,500 to 6,750 mu) farmland in the Guangdong province (i.e. the New Farmlands), representing approximately 53% to 80% of the Group's existing leased farmlands.

According to the Letter from the Board, the Company considers that the Guangdong province in the PRC is a desirable location for expansion of its production base as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces (compared to the available cultivation period from April to November in its existing production bases in Ningxia). In addition, based on the Group's existing established network of customers in Guangdong, focusing the production base in Guangdong would also localise the demand-and-supply chain in the same region and minimise the transportation costs. As understood from the Management, the consolidation of production base in Guangdong is one of the cost-saving initiatives in an attempt to improve the profitability of the agricultural business and in order to turnaround the segment loss in the future.

In this regard, we noted from the "China Statistical Yearbook 2019" published by the National Bureau of Statistics of China and according to the statistics of output of major farm products by province in 2018, the output for fruits and vegetables of Guangdong province of approximately 16,692,000 tonnes was significantly higher than that of Ningxia province of approximately 1,972,000 tonnes, representing a difference of approximately 8.46 times.

As further mentioned in the below section headed "2. Market outlook of the agriculture industry in the PRC", it is noted that the gross output value of overall agricultural products in Guangdong province increased at a CAGR of approximately 7.0% over 2014 to 2018 and each of the gross output value of overall agricultural products and agricultures in Guangdong province represented approximately 5.6% and 5.0% respectively, of each of the gross output value of overall agricultural products and agricultures in China in 2018.

(ii) Cultivate crops with better yield and marketability

As understood from the Management, each of the yield and marketability of plants and crops largely depends on soil condition of farmlands. According to the 2018 Annual Report, after years of cultivation, soil quality has been seriously declined because of the previous cultivation methods and the use of chemical fertilisers, which prevent land from regenerating. As such, the Directors expect that the proposed leasing of the New Farmlands would enhance the overall soil condition of the Group's agricultural business and hence improving the yield and marketability of its produce.

Regarding the Group's business plan on the New Farmlands, the Group has identified the relevant plants and crops that are suitable for cultivation in the Guangdong province in the PRC that could have multiple rounds of harvest over the year. The Group intends to plant the crops which have comparatively better yield and marketability, including but not limited to buddha's hand (佛手柑), celtuce (萵筍), kale (芥蘭) and choy sum (菜心).

As further understood from the Management, among the targeted crops to be cultivated on the New Farmlands, buddha's hand is a new product intended to be introduced to the Group's product mix, having considered that (i) its relatively higher average unit price in the market; (ii) the moderate climate in Guangdong province is suitable for cultivating buddha's hand and Guangdong province is one of its major production locations in the PRC; and (iii) its higher marketability as the dried fruit of buddha's hand can also be applied in traditional Chinese medicine. Upon the harvesting and selling of these targeted crops, the Directors expect that there would be an increment in the average selling price of the Group's produce and hence improving the profitability of its agricultural business.

Our view

Having considered that (i) the significantly higher output for fruits and vegetables as recorded by Guangdong province as compared to Ningxia province; (ii) the consolidation of production base as well as the proximity to the Group's established customer network in the Guangdong province would minimise the transportation costs; (iii) the proposed leasing of the New Farmlands is expected to enhance the overall soil condition of the Group's agricultural business and hence improving the yield and marketability of its produce; (iv) the cultivation and selling of crops with better yield and marketability may possibly improve the profitability of the Group's agricultural business; (v) the generally positive outlook of the agriculture industry in the PRC as further mentioned in the below section headed "2. Market outlook of the agriculture industry in the PRC" in this letter; and (vi) the improvement in the financial performance of the Group's agricultural business in the latest financial results for FP2019 as evidenced by (a) the significant increase in segment revenue of approximately HK$141.5 million or 344.4%; and (b) the reduction in segment loss of approximately HK$13.5 million or 39.3% as compared to FP2018, we are of the view that the it is justifiable for the Directors to consider that the Group's business (taking into account its business plan on the New Farmlands) is sustainable.

2. Market outlook of the agriculture industry in the PRC

As disclosed in the Letter from the Board, part of the net proceeds from the Subscription of approximately HK$20.0 million, representing approximately 15.6% of the net proceeds, will be applied on the expansion of the agricultural business in the Guangdong province in the PRC. Details of the use of proceeds in this regard, please refer to the section headed "Intended use of proceeds from the Subscription" in the Letter from the Board.

The PRC is one of the fastest growing economies in the World and the agricultural industry plays an important role in the PRC economy. According to the website of the National Bureau of Statistic of China, the gross output value of overall agricultural products in Guangdong province increased from approximately RMB505.4 billion in 2014 to approximately RMB631.8 billion in 2018 at a compound annual growth rate ("**CAGR**") of approximately 5.7%, among which, the gross output value of agricultures (including grain crops, vegetables, and rice, etc.) increased from approximately RMB235.7 billion in 2014 to approximately RMB308.9 billion in 2018 at a CAGR of approximately 7.0% and such increase was mainly driven by growth in agricultural product consumption over the years. In 2018, each of the gross output value of overall agricultural products and agricultures in Guangdong province represented approximately 5.6% and 5.0% respectively, of each of the gross output value of overall agricultural products and agricultures in China.

According to the China Agricultural Outlook Report 2019-2028 published by the Ministry of Agriculture and Rural Affairs of the PRC, it is forecasted that the gross output value of overall agricultural products in China will achieve a stable growth from approximately RMB12,081.0 billion in 2019 to approximately RMB13,434.0 billion in 2023 at a CAGR of approximately 2.7%, among which, the gross output value of agricultures (including grain crops, vegetables, and rice, etc.) is expected to increase from approximately RMB6,701.0 billion in 2019 to approximately RMB7,719.0 billion in 2023 at a CAGR of approximately 3.6%, mainly due to the agricultural products prices are expected to rise steadily in forthcoming years. According to the news published on the website of Skypost on 14 December 2018, the government of Guangdong Province planned to initiate the "Shopping Basket Programme", a programme initiated by the PRC government since 1988 which aims to maintain sufficient food supply in China, in the Greater Bay Area by constructing new agricultural infrastructures and improving the existing agricultural infrastructure in various cities of Guangdong province and expected to be completed in three years.

Furthermore, according to the Interim Report, the Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers in 2018. In 2019, the Group also entered into long term co-operation agreements with certain agricultural companies in other provinces in the PRC for broadening the agricultural bases and sourcing or subcontracting of the agricultural produce of the Group.

In view of (i) the historical significant growth in the gross output value of overall agricultural products in Guangdong province over the past few years; (ii) the expected steady growth in the gross output value of overall agricultural products in the forthcoming years; and (iii) the supportive plans from the PRC government in relation to the expansion of agricultural infrastructures in the Guangdong province, it is reasonable to expect that the industry outlook will remain generally positive in near term.

3. Reasons for and benefits of the Subscription and the intended use of proceeds

(a) Financial and operating difficulties encountered by the Group in recent years

As disclosed in the section headed "1. Background information of the Group — (b) Historical financial performance of the Group" in this letter, the Group has been suffering from (i) continuous loss from continuing operations which amounted to approximately HK$16.5 million for the six months ended 30 June 2019; (ii) decreasing bank balances and cash (excluding the discontinued operation) over the years due to continuous net cash used in the Group's operating activities which amounted to approximately HK$1.3 million as at 30 June 2019; and (iii) the increasing total borrowings of the Group (excluding the discontinued operation) which amounted to approximately HK$163.8 million as at 30 June 2019.

According to Interim Report, the Group's trade receivables arising from trading of agricultural produce as at 30 June 2019 amounted to approximately HK$202.0 million with an average credit period of 60 days, among which approximately HK$162.5 million receivables had aged over 120 days and approximately HK$39.4 million receivables had aged from 61 days to 120 days. As understood from the Management, the reasons for the sharp increase in the Group's trade receivables were mainly attributable to (i) the significant increase in revenue recorded by the Group from approximately HK$157.2 million for FY2018 to approximately HK$182.7 million for FP2019; and (ii) the general delay in the settlement of trade receivables by customers in 2019. According to the internal records of the Company, for the period from 1 July 2019 to 31 December

2019, the Company has collected approximately HK$15.8 million trade receivables relating to the agricultural produce from its customers, and such amounts were not used to repay the remaining indebtedness. The Company from time to time conducts physical site visits and makes regular telephone contacts with its customers to follow up the status of the outstanding trade receivables. As advised by the Directors, the Group has been actively liaising with the relevant customers, which covers large number of wholesale distributors, individual customers and supermarkets, to collect the receivables aged more than the average credit period. However, the Directors consider that there are practical difficulties and uncertainty to recover all of its receivables from such large number of customers for the purpose of resolving this short-term liquidity problem of the Group. In view of the above, the Directors consider that it is unrealistic and impracticable to settle the outstanding indebtedness in a timely manner solely rely on the proceeds from the collection of the trade and other receivables.

As set out in the Letter from the Board, based on the unaudited management accounts of the Group for the year ended 31 December 2019, (i) the trade receivables of the agricultural business amounted to approximately RMB255.1 million; and (ii) the trade receivables from top 10 customers in the agricultural business amounted to approximately RMB228.1 million, representing approximately 89.4% of the total trade receivables in the agricultural business during the corresponding period. In late 2018, the Group adopted a more market-oriented business model from "self-production" model with employed farmers to the "subcontracting arrangement" model where the Group provides production equipment and is responsible for the farmland rental, the costs of fertilizers, utilities, maintenance and other expenses. By adopting such model, the Board believes that it incentivizes the farmers and eventually scales up the production outputs of the Group. Based on the internal records of the Group, after the changing to "subcontracting arrangement", the annual sales volume of agricultural produce almost doubled from approximately 34.8 million kilograms in the financial year ended 31 December 2018 to approximately 60.1 million kilograms in the financial year ended 31 December 2019. According to the unaudited financial statements of the Group, the sale of agricultural produce surged to approximately HK$167.7 million for the six months ended 30 June 2019 (as compared with approximately HK$118.1 million for the financial year ended 31 December 2018). In late 2019, to align with the strategy change to subcontracting arrangement which leads to significantly increase of the sale volume of agricultural produce, the Group considers that it is commercially justifiable to offer a longer credit period in order to facilitate the operation and liquidity of its customers after purchasing a large quantity of short shelf-life fresh agricultural produce from the Group.

The Management has regularly communicated with the customers for a better understanding of their business and financial position so as to assess the credit risk of each of the customers. The Company has made recent enquiries with its top 10 customers and was given to understand that after entering into the U.S.-China Phase 1 trade deal on 15 January 2020 and the effective control of the novel coronavirus outbreak in the PRC, their business operation gradually resumed normal and they have confirmed to the Company that they will settle the outstanding trade receivables by monthly instalments. Based on the above, the Company estimates that approximately RMB120 million of the outstanding amount of trade receivables, representing approximately 47% of the trade receivables of the Group as at 31 December 2019, will be settled by its customers on or before 30 June 2020.

(b) Pressing funding needs to repay overdue indebtedness of the Group

As disclosed in the Letter from the Board, the total indebtedness of the Group (excluding the discontinued operation) has further increased from approximately HK$163.8 million as at 30 June 2019 to approximately HK$251.4 million as at 31 January 2020. The below table summarised the major indebtedness of the Group (excluding the discontinued operation) as at 31 January 2020:

Lender	**Nature of the indebtedness**	**Due date**	**Outstanding amount owed by the Group as at 31 January 2020** *HK$'000*
Mr. Lin Yuhao *(Note 1)*	Promissory note in the outstanding principal amount of HK$24,990,000	31 July 2020	27,239
	Interest free personal loans	Repayable on demand	82,605
		Sub-total	109,844
Mr. Lin Yupa *(Note 2)*	Promissory note in the outstanding principal amount of HK$10,000	31 July 2020	11
	Interest free personal loans	Repayable on demand	37,714
		Sub-total	37,725

Lender	Nature of the indebtedness	Due date	Outstanding amount owed by the Group as at 31 January 2020 *HK$'000*
Hui Jia Investments Limited ("**Hui Jia**")	Convertible bonds in the outstanding principal amount of HK$39,552,837 ("**Defaulted CB**")	Defaulted	40,880
		Total	188,449
Percentage of total indebtedness of the Group (excluding the discontinued operation)			75.0%

Notes:

1. As at 31 January 2020, of the total outstanding indebtedness owed to Mr. Lin Yuhao, (i) HK$27,239,100 was the outstanding amount due from the Company pursuant to an unsecured promissory note in the principal amount of HK$24,990,000 with an interest rate of 3% (accrued up to 23 September 2018) due on 31 July 2020; and (ii) HK$82,605,417 was the outstanding amount due from the Company pursuant to multiple unsecured and non-interest bearing personal loans provided by Mr. Lin Yuhao which is repayable on demand.

   In respect of various interest free personal loans owed by the Company to Mr. Lin Yuhao in the aggregate amount of HK$82,605,417, the loan proceeds was mainly applied for the following purposes: (i) general working capital for settlement of account payables, payment of salary and office rental, outsourcing fee in relation to agricultural business and other operating expenses; and (ii) capital injection to Golden Rich Securities Limited, a wholly-owned subsidiary of the Company; (iii) repayment of two PRC bank loans in the aggregate principal amount of RMB6,500,000 which was due on 5 December 2019; and (iv) repayment of corporate bond on 18 October 2019 in the principal amount of RMB11,000,000.

2. As at 31 January 2020, of the total outstanding indebtedness owed to Mr. Lin Yupa, (i) HK$10,900 was the outstanding amount due from the Company pursuant to an unsecured promissory note in the principal amount of HK$10,000 with an interest rate of 3% (accrued up to 23 September 2018) due on 31 July 2020; and (ii) HK$37,714,004 was the outstanding amount due from the Company pursuant to multiple unsecured and non-interest bearing personal loans provided by Mr. Lin Yupa which is repayable on demand.

In respect of various interest free personal loans owed by the Company to Mr. Lin Yupa in the aggregate amount of HK$37,714,004, the loan proceeds was mainly applied for the following purposes: (i) general working capital for settlement of account payables, payment of salary and office rental, outsourcing fee in relation to agricultural business and other operating expenses; and (ii) capital injection to Golden Rich Securities Limited, a wholly-owned subsidiary of the Company;

3. Pursuant to the supplemental agreement entered into between the Company and Mr. Lin Yuhao and Mr. Lin Yupa, respectively, on 30 January 2020, each of Mr. Lin Yuhao and Mr. Lin Yupa agrees to extend the maturity date of the aforementioned promissory note from 31 January 2020 to 31 July 2020.

4. The above information was extracted from the statement of indebtedness of the Group as at 31 January 2020 and the Interim Report. For further details of the total indebtedness of the Group, please refer to the section headed "Indebtedness of the Group" in the Letter from the Board.

According to the Interim Report, the Company received a repayment demand letter from Hui Jia on 20 February 2019, requesting the Company to repay the Defaulted CB with the outstanding principal amount and the interest accrued in a total sum of approximately HK$42.0 million and if such amount is not repaid within 7 days of the repayment demand letter, Hui Jia would institute legal proceedings against the Company without further notice. Despite that the Group has managed to repay certain portion of the outstanding amount of the Defaulted CB of approximately HK$3.0 million in June 2019, according to the Management, the Group is still negotiating with Hui Jia regarding the outstanding principal amount and the interest accrued in a total sum of approximately HK$40.9 million as at 31 January 2020.

We understand from the Directors that the Group's negative financial performance in recent years together with the abovementioned defaulted payment further hindered the ability of the Group to secure financing from banks and procure underwriting offers for a rights issue or open offer from securities firms in order to improve its financial condition and develop its business. After the publication of the inside information announcement in relation the Defaulted CB on 22 February 2019, we note that the Group had conducted only one fund raising activity in the past twelve months by issuing convertible bonds in the principal amount of approximately HK$18.6 million to certain independent third parties on 4 March 2019, of which the net proceed were mainly used for the repayment of debts, which the fund raising size was noticeably smaller than the issue of convertible bonds by the Group in the principal amount of approximately HK$39.3 million to certain independent third parties on 18 July 2019.

As disclosed in the Interim Report, on 26 June 2019, the Company repaid HK$3.0 million principal amount of the Defaulted CB to the relevant holder and the Group has been still negotiating with the holder of the Defaulted CB regarding the outstanding principal amount and interest accrued in respect of the Defaulted CB. As set out in the Letter from the Board, according to the terms and conditions of Defaulted CB, there is no additional penalty required to be paid by the Company. As of the Latest Practicable Date, Hui Jia has not commenced legal proceedings against the Company in respect of the Defaulted CB.

(c) Reduce in reliance on the financial support provided by Mr. Lin Yuhao and Mr. Lin Yupa

As shown in the above table, as at 31 January 2020, the total outstanding amount of borrowings (i.e.: the promissory notes and the interest-free personal loans) owed by the Group to Mr. Lin Yuhao and Mr. Lin Yupa amounted to approximately HK$109.8 million and approximately HK$37.7 million, respectively. As stated in the Letter from the Board, since October 2018, the Group has been relying on various interest-free personal loans provided by Mr. Lin Yuhao and Mr. Lin Yupa to sustain the daily operation of the Group and to repay certain overdue indebtedness of the Group. In particular, Mr. Lin Yuhao arranged for repayment of (i) the corporate bonds issued by the Company in the principal amount of RMB11,000,000 at 10% per annum interest which was due on 18 October 2019 in November 2019; and (ii) the bank borrowings in the principal amount of RMB6,500,000 at 9% per annum interest which was due on 5 December 2019.

As stated in the Letter from the Board, the net proceeds from Subscription will be approximately HK$128.0 million, of which (i) approximately HK$40.9 million will be used to repay the outstanding amount arising from the Defaulted CB; (ii) approximately HK$56.0 million will be used to repay the outstanding borrowings due to Mr. Lin Yuhao; (iii) approximately HK$20.0 million will be used for the expansion of the existing agricultural business of the Group in the Guangdong province in the PRC; and (iv) approximately HK$11.1 million will be used for the general working capital of the Group.

Given that the net proceeds from the Subscription would (i) resolve the instant financial and operating difficulties of the Group; (ii) substantially decrease the gearing ratio of the Group from approximately 0.81 to 0.2, assuming that the Completion and injection of net proceeds took place as at 30 June 2019 as illustrated in the below section headed "9. Possible financial effects of the Subscription" in this letter; and (iii) provide additional funds for business expansion as well as general working capital; we consider that the reasons for the Subscription is justifiable and the Subscription is in the interest of the Company and its shareholders as a whole.

4. Financing alternatives of the Group

According to the Directors, they have considered alternative fund-raising methods, including additional bank borrowings, rights issue or open offer while they are of the view that, among other things, the Subscription is the most viable option for the Company. We are given to understand that the Directors have considered the possibility of a rights issue or an open offer exercise as it is offered to all Shareholders on a pro-rata basis. However, the Directors are of the view that they are not the best fund-raising options for the Group at the moment, having taken into account that (i) the negative financial performance of the Group in recent years together with the negative news of the Defaulted CB hindered the Group's ability to procure underwriting offers for a rights issue or open offer from securities firms; (ii) a rights issue or an open offer exercise will require a relatively lengthy process including but not limited to, the preparation of the requisite compliance and legal documentation such as announcements, circulars, prospectus etc.; and (iii) the administrative costs involved would be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred.

We have further discussed and understood from the Management for the possibility of additional borrowings to be raised from the existing and new bankers. According to the Interim Report, the Group has already indebted to certain banks for secured bank loans amounted to approximately HK$15.9 million as at 30 June 2019 which are secured by its leasehold land and buildings. As such, we are given to understand that given the current global and regional economic environment, the respective banks are generally reluctant to provide additional financing without additional asset backing or otherwise the interest rates offer may higher than the existing borrowing rates of the Group. Furthermore, having considered that the existing debt level and gearing ratio of the Company and ongoing financing costs associated, the Directors are of the view and we concur that bearing additional liabilities would not be in the interests of the Company in the longer run.

In view of the above, the Directors consider, and we concur, that equity financing by way of the Subscription is comparatively a more appropriate and viable means of raising additional capital.

5. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), further details of which are set out in the Letter from the Board:

Subscription Shares

Pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, 200,000,000 Subscription Shares, representing approximately 200.0% of the existing issued share capital of the Company and approximately 66.6% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The Subscription Price of HK$0.65 per Subscription Share represents:

(a) a discount of approximately 31.6% to the closing price of HK$0.950 per Share as quoted on the Stock Exchange on 17 January 2020, being the Last Trading Day;

(b) a discount of approximately 33.9% to the average closing price of approximately HK$0.984 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 34.5% to the average closing price of approximately HK$0.993 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 35.0% to the closing price of approximately HK$1.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a discount of approximately 63.7% to the audited consolidated net asset value of the Group of approximately HK$1.79 per Share as at 31 December 2018 (based on the audited consolidated equity attributable to owners of the Company as at 31 December 2018 and the number of issued Shares as at the Latest Practicable Date); and

(f) a discount of approximately 67.5% to the unaudited consolidated net asset value of the Group of approximately HK$2.00 per Share as at 30 June 2019 (based on the unaudited consolidated equity attributable to owners of the Company as at 30 June 2019 and the number of issued Shares as at the Latest Practicable Date).

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber after taking into account (i) the existing financial and operating difficulties encountered by the Group; (ii) the prevailing market price of the Shares; and (iii) the benefits of introducing the Subscriber with relevant agricultural business experiences as the Company’s forthcoming controlling shareholder to develop the Group’s existing agricultural business.

The aggregate Subscription Price amounts to HK$130.0 million which shall be payable in the following manner:

(a) subject to the approval by the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the Specific Mandate at the SGM and the issue and allotment of the Subscription Shares, HK$56.0 million will be offset against the total consideration for the Subscription as repayment of the Indebtedness due from the Group to Mr. Lin Yuhao at Completion; and

(b) the remaining HK$74.0 million shall be payable by the Subscriber at Completion in cash.

Conditions of the Subscription

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

(a) as required by the Listing Rules and the Takeovers Code, the passing of all necessary resolutions by the Independent Shareholders at the SGM approving:

    (i) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the granting of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber by way of ordinary resolution (representing more than 50% of the votes of the Independent Shareholders); and

    (ii) the Whitewash Waiver by way of special resolution (representing at least 75% of the votes by Independent Shareholders);

(b) the Listing Committee of the Stock Exchange granting approval for the allotment, issue, listing and trading of the Subscription Shares on the Stock Exchange (which shall not be revoked prior to Completion);

(c) granting of the Whitewash Waiver by the Executive and the Whitewash Waiver not having been revoked or withdrawn; and

(d) all actions by or in respect of or filings with, consents or approvals from any governmental or regulatory authority or other third parties required to permit the consummation of the transactions contemplated by the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) having been taken, made or obtained and all other relevant regulatory requirements having been complied with by the Company.

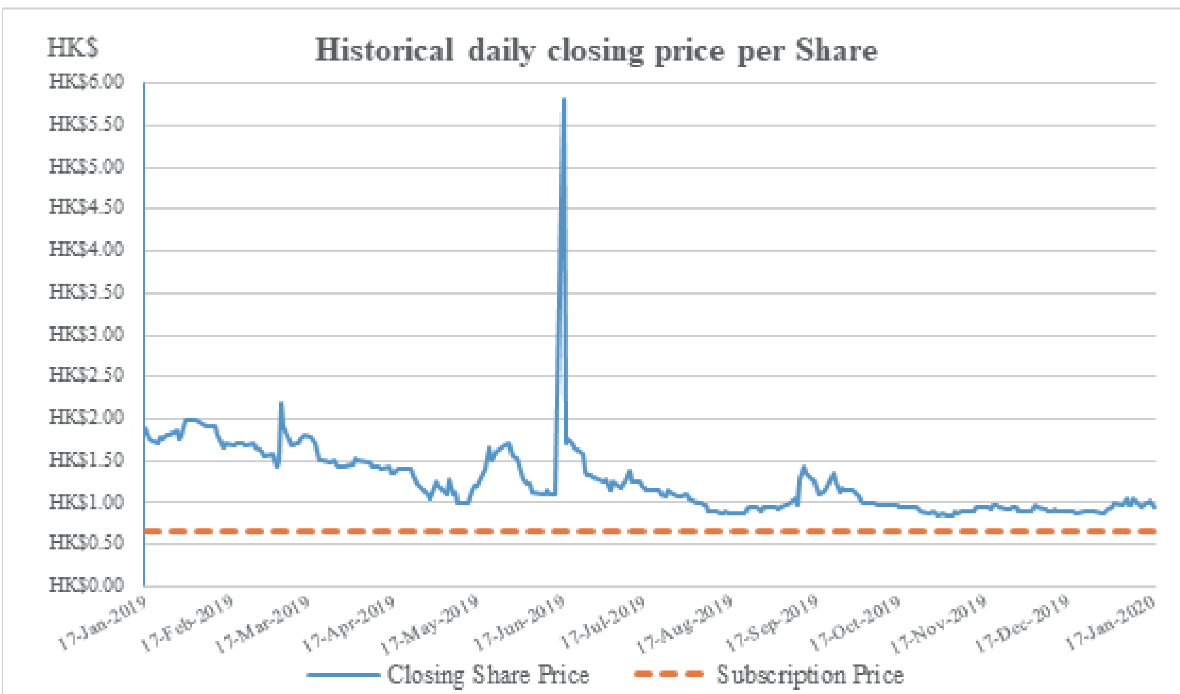
The condition in paragraph (d) may be waived by the Company in its sole discretion. Save for condition (d) above, including the approval by at least 75% of the votes cast by Independent Shareholders at the SGM and the granting of the Whitewash Waiver by the Executive (conditions in paragraph (a) and (c) respectively), are not waivable by the Company or the Subscriber. As at the Latest Practicable Date, the Company has not identified any specific consents or approvals required under the condition in paragraph (d) above. If any of the conditions precedent set out above have not been fulfilled (or waived, if applicable) on or before 5:00 p.m. on the Long Stop Date, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) shall cease to have effect and terminate (save for certain provisions such as the confidentiality provision which shall survive termination) and none of the parties shall have any obligations and liabilities towards one another, without prejudice to the rights and obligations of any party in respect of any antecedent breaches of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

6. Analysis of the Subscription Price

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical price performance of the Shares; (b) liquidity of the Shares; and (c) the market comparable analysis, as follows:

(a) Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 17 January 2019 being the date which is 12 months prior to the Last Trading Day, up to and including the Last Trading Day which we consider to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Share and the Subscription Price (the "**Review Period**"):



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

As illustrated in the chart above, the closing Share price ranged from HK$0.84 to HK$5.80 per Share during the Review Period, with an average closing price of approximately HK$1.25 per Share. During the period from January 2019 to May 2019, the closing price of the Shares showed a general moderate downward trend, with the closing prices of the Shares reaching the higher end of HK$2.18 (on 7 March 2019) and a lower end of HK$0.99 (on 10 May 2019).

On 14 June 2019, the announcement of the Company in relation to, among other things, the poll results of annual general meeting held on 14 June 2019, and the retirement of an executive Director (the "**Poll Results Announcement**") was published. On 17 June 2019, being the first trading day of the Shares after the publication of the Poll Results Announcement, the closing price of the Shares surged sharply and reached the highest closing price of the Shares during the Review Period of approximately HK$5.80. As confirmed by the Directors, they are not aware of any event that was price sensitive in nature after the release of the Poll Results Announcement. Therefore, we believe that the surge in the closing price of the Shares may likely due to the market speculation of the Poll Results Announcement published by the Company. Subsequently, the closing price of the Shares had restored to the normal level with an average closing price of approximately HK$1.58 per Share during June 2019. During the period from July 2019 to August 2019, the closing price of the Shares remained a downward trend from an average closing price of the Shares of approximately HK$1.18 in July 2019 to that of approximately HK$0.93 in August 2019.

Subsequent to the release of a profit warning announcement by the Company on 21 August 2019 for the six months ended 30 June 2019 in relation to a decrease in the net loss of the Group and the publication of the 2019 interim results on 26 August 2019, the closing price of the Shares rose from approximately HK$0.92 (on 27 August 2019) to approximately HK$1.43 (on 12 September 2019) which was the highest closing price of the Shares in September 2019. The Share price remained relatively stable from October 2019 to January 2020, fluctuating within a relatively narrow range from HK$0.84 to HK$1.08, where it reached the lowest closing price of Shares at HK$0.84 on 5 November 2019 during the Review Period.

(b) Liquidity of the Shares

The table below sets out the monthly statistics of the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

Month	**Total trading volume of Shares** *(Shares)*	**Number of trading days in the month** *(days)*	**Average daily trading volume of the Shares** *(Shares)* *(Note 1)*	**Percentage of average daily trading volume over total number of issued Shares** *Approximate %* *(Note 2)*
2019				
January (from the beginning of the Review Period)	1,648,400	11	149,855	0.012%
February	2,071,138	17	121,832	0.010%
March	9,132,249	21	434,869	0.035%
April	2,355,587	19	123,978	0.706%
May	3,560,006	21	169,524	0.233%
June	16,118,837	19	848,360	0.898%
July	4,077,525	22	185,342	0.196%
August	1,751,993	22	79,636	0.084%
September	8,165,144	21	388,816	0.409%
October	1,669,900	21	79,519	0.080%
November	1,375,500	21	65,500	0.065%
December	1,130,962	20	56,548	0.057%
2020				
January (up to and including the Last Trading Day)	958,867	12	79,906	0.080%

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. For illustrative purpose only, based on total number of Shares in issue at the end of each month/period.

As illustrated in the above table, the average daily trading volume of Shares during the Review Period was generally low with a range from approximately 56,548 Shares to approximately 848,360 Shares, representing approximately 0.010% to approximately 0.898% of the total number of the Shares in issue as at the end of the relevant month/period. Other than the average daily trading volume of Shares increased significantly in June 2019, being the maximum volume during the Review Period, the average daily trading volume of Shares were relatively thin and inactive throughout the Review Period. The low liquidity of the Shares may imply the lack of interest from potential investors to invest in the Shares and as such, it may be difficult for the Company to conduct equity fund raising exercises in the market with similar size to that of the Subscription.

(c) Market comparable analysis

(i) Companies with businesses similar to the Group

As the Group has reported consolidated loss attributable to the owners of the Company for the year ended 31 December 2018, historical price-to-earnings ratio analysis cannot be performed. In assessing the fairness and reasonableness of the Subscription Price, we attempted to compare the price-to-book ratio ("**P/B Ratio**") represented by the Subscription Price against the market valuation of other listed companies in Hong Kong which are of similar business nature and size to that of the Group, which is a commonly used benchmark in valuing a company. Based on the financial information of the Group as set out in the 2017 Annual Report, 2018 Annual Report and the Interim Report, it is noted that (i) over 50% of the Group's revenue was generated from the cultivation and trading of agricultural produce; and (ii) over 90% of the Group's non-current assets were based in the PRC. The market capitalisation of the Company was approximately HK$95.0 million as at the date of Subscription Agreement.

Based on our research on a best effort basis, we have conducted a search of companies based on the criteria that (i) the company is listed on the Main Board of the Stock Exchange; (ii) the company is engaged in agricultural or related industry such as engaged in agricultural cultivation or breeding of livestock ("**Similar Business**"), since we considered the sample size to be insufficient for our analysis if agricultural cultivation were included as the only selection criteria, we have therefore extended our search and included the breeding of livestock as an additional selection criteria, as agricultural cultivation and breeding of livestock were both involved in primary production and we believe that such inclusion would provide further reference for the purpose of our analysis; (iii) over 30% of the company's revenue was generated from the Similar Business; (iv) over 90% of the company's non-current assets were located in the PRC; and (v) the market capitalisation of the company is lower than HK$1,000 million which is considered as of similar size with that of the Company.

We have identified a complete and an exhaustive list of four comparable companies ("**Comparable Companies**") based on the abovementioned selection criteria. We consider that while the Company and the Comparable Companies are not closely in terms of, among other things, financial performance, financial position and market capitalisation, the principal activities of such companies are in general affected by similar macro-economic factors including but not limited to, economy and outlook and the demand from customers. Based on the foregoing, we consider the Comparable Companies as fair and representative comparable, the analysis of which is useful for assessing the fairness and reasonableness of the Subscription Price. The following table sets out the details of the Comparable Companies, computed based on the closing share prices of the Comparable Companies as at the date of the Subscription Agreement and their published financial information for the most recent financial year/period:

Company name (Stock code)	**Principal business**	**Market capitalisation**	**Closing share price as at the date of the Subscription Agreement**	**Book value per share (year/ period-end date)**	**P/B Ratio**
		Approximate HK$ million	*HK$*	*HK$*	*Times*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
Chaoda Modern Agriculture (Holdings) Limited (682)	growing and sales of crops	174.7	0.053	0.09 (as at 31 December 2019)	0.62
Huisheng International Holdings Limited (1340)	hog breeding, hog slaughtering and sales of pork products	103.9	0.118	1.03 (as at 30 June 2019)	0.11
China Putian Food Holding Limited (1699)	hog farming, hog slaughtering and the sales of pork	538.4	0.285	0.38 (as at 30 June 2019)	0.75

Company name (Stock code)	Principal business	Market capitalisation	Closing share price as at the date of the Subscription Agreement	Book value per share (year/period-end date)	P/B Ratio
		Approximate HK$ million	*HK$*	*HK$*	*Times*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
China Greenfresh Group Co., Ltd. (6183)	cultivation and sales of fresh edible fungi produce and the manufacture and sales of various processed edible fungi products	417.4	0.275	2.04 (as at 30 June 2019)	0.13
				Minimum	0.11
				Maximum	0.75
				Average	0.40
				Median	0.38
The Company	**(i) growing and trading of agricultural produce; (ii) provision of money lending services; and (iii) internet finance business**	**95.0**	**0.65** *(Note 5)*	**1.82**	**0.36**

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

Notes:

1. Calculation is based on the closing share prices and the total issued shares of the Comparable Companies as at the date of the Subscription Agreement.

2. For the purpose of this analysis, amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB1:HK$1.1.

3. Calculation is based on the audited/unaudited consolidated net assets attributable to owners of the company as extracted from the latest annual/interim results published by the company and the number of the shares in issue as at the respective year/period-end as extracted from the monthly return published by the company.

4. Calculation is based on the closing share price as at the date of the Subscription Agreement and the book value per share.

5. Being the Subscription Price.

As illustrated in the table set out above, the P/B Ratios of the Comparable Companies ranged from approximately 0.11 times to approximately 0.75 times, with an average of 0.40 times and median of approximately 0.38 times. Although the implied P/B Ratio of the Subscription Price of approximately 0.36 times is below the average and median of P/B Ratio of the Comparable Companies, nevertheless (i) it falls within the range of the P/B Ratio of the Comparable Companies; and (ii) it is still higher than the P/B Ratios of two out of the four Comparable Companies in total. In light of the above and having considered the reasons for and benefits of the Subscription and the intended use of proceeds, we consider that the Subscription to be fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Transactions similar to the Subscription

In addition to the above analysis of the Comparable Companies, we have further performed an analysis of comparable transactions by conducting research of companies listed on the Main Board of the Stock Exchange and announced fund raising activities during the Review Period, via (i) new shares subscription by subscribers under specific mandates; and (ii) application of whitewash waivers by the subscribers. The Review Period was adopted to demonstrate the recent market trends with sufficient and representative number of comparable transactions and thus, we consider the timeframe is reasonable and representative.

Based on the aforesaid criteria and to the best of our knowledge, we have identified an exhaustive list of three comparable transactions (the "**Comparable Transactions**"). Independent Shareholders should note that the Comparable Transactions are not identical to the Company in terms of principal business, operations and financial position. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the Comparable Transactions but it shall not affect our analysis as we consider that the Comparable Transactions could provide a general reference for the recent common market practice of companies listed on the Main Board of the Stock Exchange in share subscription exercises and similar market conditions. The below table sets out the details of our findings and analysis on the Comparable Transactions.

Company name (Stock code)	Principal business	Date of announcement	Premium/ (discount) of the subscription price over/(to) closing price per share on/prior to the date of announcement in relation to the respective subscription of shares	Premium/ (discount) of the subscription price over/(to) average closing price per share of last five trading days up to and including/ prior to the date of announcement in relation to the respective subscription of shares	Premium/ (discount) of the subscription price over/(to) the consolidated net assets value per share
			Approximate %	*Approximate %*	*Approximate %*
YueXiu Property Company Limited (123)	sales of property development activities, provision of property management services, leasing of properties and real estate agency	27 February 2019	7.8	9.2	(49.0)
China Singyes Solar Technologies Holdings Limited (750) ("**China Singyes**")	design, fabrication and installation of curtain walls, the manufacture and sales of renewable energy products, the operation and management of solar power plants, as well as the sales of electricity	5 June 2019	(7.1)	(6.5)	(86.2)

Company name (Stock code)	Principal business	Date of announcement	Premium/(discount) of the subscription price over/(to) closing price per share on/prior to the date of announcement in relation to the respective subscription of shares	Premium/(discount) of the subscription price over/(to) average closing price per share of last five trading days up to and including/prior to the date of announcement in relation to the respective subscription of shares	Premium/(discount) of the subscription price over/(to) the consolidated net assets value per share
			Approximate %	*Approximate %*	*Approximate %*
Panda Green Energy Group Limited (686)	investment, development, operation and management of solar power plants	19 November 2019	22.0	23.0	(36.0)
		Minimum	(7.1)	(6.5)	(86.2)
		Maximum	22.0	23.0	(36.0)
		Average	7.6	8.6	(57.1)
		Median	7.8	9.2	(49.0)
The Subscription			(31.6)	(33.9)	(68.1)

Source: The website of the Stock Exchange (www.hkex.com.hk), relevant announcements or circulars of the companies comprising the Comparable Transactions

As shown in the table above, the subscription prices of the Comparable Transactions ranged from (i) a discount of approximately 7.1% to a premium of approximately 22.0% to/over the respective closing prices of their shares on/prior to the date of announcement in relation to the respective subscription of shares under specific mandate; (ii) a discount of approximately 6.5% to a premium of approximately 23.0% to/over the respective average closing prices of their shares for the last five trading days up to and including/prior to the date of announcement in relation to the respective subscription of shares under specific mandate; and (iii) a discount of approximately 86.2% to a discount of approximately 36.0% to the consolidated net assets value per share. As a result of the above, the discounts represented by the Subscription Price to (a) the closing price of the Shares on the Last Trading Day; and (b) the average closing price of the last five consecutive trading days up to and including the Last Trading Day exceeds the highest discounts of the

Comparable Transactions. Whereas the discounts represented by the Subscription Price to the consolidated net assets value per Share as at 30 June 2019 is within the range of the Comparable Transactions and slightly deeper than the average of those of the Comparable Transactions.

Our view

Although the discount represented by the Subscription Price to each of (i) the closing price of the Shares on the Last Trading Day; (ii) the average closing price of the last five consecutive trading days; and (iii) the consolidated net assets value per Share are all deeper than the average and median of the Comparable Transactions, the discount represented by the Subscription Price to the consolidated net assets value per Share as at 30 June 2019 is within the range of the Comparable Transactions. We consider such result may possibly due to the differences in the principal business and revenue mix between the Company and the companies involved in the Comparable Transactions as explained above and having considered (i) the pressing funding need to repay the outstanding indebtedness of the Group; (ii) the deteriorating financial position experiencing by Group in recent years; (iii) the Group is currently lack of financing alternatives for the Group as discussed in the section headed "4. Financing alternatives of the Group" in this letter; and (iv) the Group will leverage on Mr. Lin Yuhao's and Mr. Lin Yupa's experience and knowledge in the agricultural business in its expansion of the existing agricultural business, we consider that a relatively deep discount to the prevailing closing price of the Shares is commercially justifiable.

(d) Results of the analysis of the Subscription Price

We consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, after taken into account the following factors:

(i) the continuing loss-making track record of the Group in the recent years and the deterioration of the financial performance of the Group which recorded net loss of approximately HK$20.9 million for the six months ended 30 June 2019;

(ii) the benefits of the Subscription as discussed in the section headed "3. Reasons for and benefits of the Subscription and the intended use of proceeds" in this letter, in particular, the pressing finding needs to repay overdue indebtedness of the Group and to reduce reliance on the financial support provided by the Directors;

(iii) the decreasing trend of the closing Share price and low liquidity of the Shares during the Review Period as discussed in the above sub-sections headed "(a) Historical Share price performance" and "(b) Liquidity of the Shares", respectively;

(iv) the implied P/B Ratio of the Subscription Price is within the range of the P/B Ratio of the Comparable Companies and slightly lower than the average and median of the P/B Ratio of the Comparable Companies as discussed in the above sub-section headed "(c) Market comparable analysis";

(v) the relatively deep discount to the prevailing closing price of the Shares is inevitable to induce the Subscriber to subscribe the Shares as Mr. Lin Yuhao has been providing various interest-free personal loans to the Group whereas most of Comparable Transactions do not have similar circumstance. As such, we consider that the range of discounts to the closing price of the shares and the average closing share price of the last five consecutive trading days of the Comparable Transactions by itself is only one of the consideration in judging the fairness and reasonableness of the Subscription Price but should not rely solely on this analysis in judging the Subscription Price;

(vi) the Subscription Shares would align the interest of Mr. Lin Yuhao in the Company and hence incentivise Mr. Lin Yuhao to further support the growth of the Group; and

(vii) save for the Subscriber, it is difficult for the Company to secure other potential investors which could proceed to other fund-raising activities with fund-raising size similar to the size of the Subscription due to the lack of financing alternatives for the Group as discussed in the section headed "4. Financing alternatives of the Group" in this letter.

7. Information and intention of the Subscriber

(a) Information of the Subscriber, Mr. Lin Yuhao and Mr. Lin Yupa

The Subscriber

The Subscriber is a limited liability company incorporated under the laws of the British Virgin Islands whose entire issued share capital is wholly-owned by Mr. Lin Yuhao, a non-executive Director and the chairman of the Board. The principal business of the Subscriber is investment holding.

Mr. Lin Yuhao

Mr. Lin Yuhao is currently the chairman of the Board and a non-executive director of the Company. He was appointed as an executive Director and the chairman of the Company on 13 May 2016 and has been re-designated from an executive Director to a non-executive Director of the Board with effect from 10 March 2017. Mr. Lin Yuhao obtained an Executive Master's degree in Business Administration from University of Liege, Belgium. Mr. Lin, was the vice president of 深圳市企業聯合會 (Shenzhen Business Association#) and 深圳市企業家協會 (Shenzhen Entrepreneurs Association#), the vice chairman of 深圳市龍崗區阪田街道工商聯會(商會) (Shenzhen Longgang Bantian Street Federation of Industry and Commerce#), and the vice-president of 深圳社會組織總會 (Shenzhen Non-Governmental Organization Federation#).

Mr. Lin Yuhao is the younger brother of Mr. Lin Yupa.

Mr. Lin Yupa

Mr. Lin Yupa, elder brother of Mr. Lin Yuhao, is a party acting in concert with Mr. Lin Yuhao under class (8) of the definition of "acting in concert" in the Takeovers Code. Mr. Lin Yupa has been an executive director of the Company since 18 April 2019. He is currently a director of certain subsidiaries of the Company in the agriculture produce business, namely, Hong Kong Congyu Development Company Limited, Hong Kong Congyu Agricultural Trading Development Company Limited, Hong Kong Congyu Food Trading Company Limited, 廣東從玉農業集團有限公司 (Guangdong Cypress Jade Agricultural Group Company Limited#), 深圳市從玉食品貿易有限公司 (Shenzhen Cypress Jade Food Trading Company Limited#), 廣州綠源農業發展有限公司(Guangzhou Luyuan Agricultural Development Company Limited#) and 江西安義從玉農業發展有限公司 (Jiangxi Anyi Congyu Agricultural Development Company Limited#). Mr. Lin Yupa is responsible for managing the day-to-day operation of the agriculture business of the Group in the PRC. Mr. Lin Yupa takes lead in coordinating with the suppliers and distributors and liaising with local governments on premises rental for the operation of the agriculture business. Mr. Lin Yupa graduated from 北京經濟技術研修學院 (Beijing Economic and Technological Research Institute#) with a diploma in economic management (經濟管理專業).

(b) Intention of the Subscriber

As disclosed in the Letter from the Board, based on the discussion among the Subscriber and the Company, it is intended that the Company will deploy certain portion of the net proceeds from the Subscription to expand its business operation in agricultural business in the Guangdong province in the PRC.

It is the intention of the Company and the Subscriber to gradually shift the Group's production bases to the Guangdong province in the PRC which has proven to be more productive than other existing production bases.

The Company considers the Guangdong province in the PRC is a desirable location for expansion of its production base as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces (compared to the available cultivation period from April to November in its existing production bases in Ningxia).

We have understood from the Directors that the Group has identified the relevant plants and crops that are suitable for cultivation in the Guangdong province in the PRC that could have multiple rounds of harvest over the year. The Group intends to plant the crops which have comparatively better yield and marketability, including but not limited to buddha's hand (佛手柑), celtuce (萵筍), kale (芥蘭) and choy sum (菜心). In addition, based on its existing established network of customers in Guangdong, focusing the production base in Guangdong would also localize the demand-and-supply chain in the same region and minimise the transportation costs.

As set out in the Letter from the Board, in the event that the Subscription fails to complete, it is the intention of Mr. Lin Yuhao that he will demand immediate repayment of the outstanding indebtedness due from the Group to Mr. Lin Yuhao under the personal loans. Without the additional funding from the Subscription, the Company will not be able to settle the Defaulted CB or to provide any additional funding to the expansion of agricultural business.

8. Dilution effect of the Subscription

As disclosed in the Letter from the Board, the below table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) and (iii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and full conversion of Preference Shares):

	As at the Latest Practicable Date		Immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)		Immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and full conversion of Preference Shares) *(Note 3)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Non-public Shareholders						
Subscriber and the parties in acting in concert with it *(Note 1)*	4,315,087	4.2	204,315,087	67.6	207,225,251	67.3
Diao Jing *(Note 2)*	1,505,548	1.5	1,505,548	0.5	1,505,548	0.5
Directors of subsidiaries of the Company (not being Director of the Company)	945,216	0.9	945,216	0.3	945,216	0.3
Subtotal	**6,765,851**	**6.6**	**206,765,851**	**68.4**	**209,676,015**	**68.1**
Public Shareholders						
Other public shareholders	95,317,556	93.4	95,317,556	31.6	98,080,498	31.9
Total	**102,083,407**	**100.0**	**302,083,407**	**100.0**	**307,756,513**	**100.0**

Notes:

1. The Subscriber, which held 4,315,087 Shares, is wholly and beneficially owned by Mr. Lin Yuhao.

2. Ms. Diao Jing is an executive Director of the Company.

3. As at the Latest Practicable Date, the Company has (i) 5,657,956 Share Options, the details of which are set out in “2. Share Capital — (b) Share Options” of Appendix II of this circular; and (ii) 3,030,000 issued non-redeemable Preference Shares, the conversion of which in full will result in the issue of 15,150 Shares on the basis that 200 Preference Share is eligible to convert into one Share at nil consideration. According to the terms and conditions of the Preference Shares, the Subscription would not trigger a compulsory conversion of the Preference Shares. As at the Latest Practicable Date, the registered owner and the beneficial owner of 3,030,000 Preference Shares is Mr. Chen Changjie. As at the Latest Practicable Date, the Company has not received any notice from the holder of the Preference Shares regarding his decision to exercise the conversion of the Preference Shares.

As shown in the table above, the shareholding in the Company held by the public Shareholders will be diluted by (i) approximately 61.8 percentage points from 93.4% to 31.6% upon the Completion and assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares; and (ii) approximately 61.5 percentage points from 93.4% to 31.9% upon the Completion and assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and full conversion of Preference Shares, which represented significant dilutions to the public Shareholders and considered to be unattractive to the existing public Shareholders. Moreover, the issue of the Subscription Shares to the Subscriber will enable the Subscriber to acquire a controlling stake in the Company immediately upon the Completion.

However, having taken into account the following factors:

(i) the reasons for and overall benefits of the Subscription as discussed in the section headed "3. Reasons for and benefits of the Subscription and the intended use of proceeds" in this letter, including but not limited to the Subscriber will be injecting substantial amount of cash (net proceeds of approximately HK$128.0 million) into the Company for the repayment obligation in order to avoid possible legal proceeding against the Group and to maintain sustainability of the Group's business;

(ii) the terms of the Subscription Agreement, including the Subscription Price, was determined after arm's length negotiations between the Company and the Subscriber which is considered to be fair and reasonable as discussed in the section headed "6. Analysis of the Subscription Price" in this letter;

(iii) the difficulties encountered by the Company to conduct other fund-raising activities as mentioned under the section headed "4. Financing alternatives of the Group" in this letter; and

(iv) save for the Subscriber, the Company was unable to secure other potential investors which could proceed to the entering into a legally binding agreement in respect of funding raising amount similar as the size of the Subscription,

we are of the view that (a) the terms of the Subscription Agreement (including the size of the Subscription) and the Whitewash Waiver are fair and reasonable to the Independent Shareholders; and (b) it is reasonable for the Subscriber to obtain a controlling stake in the Company upon the Completion and the level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable.

9. Possible financial effects of the Subscription

As stated in the Letter from the Board, the net proceeds (after deducting professional fees and other related expenses) from the issue of the Subscription Shares is expected to be approximately HK$128.0 million. As disclosed in the Interim Report, the Group had bank balances and cash and net asset value of approximately HK$1.3 million and HK$204.0 million, respectively, as at 30 June 2019. Immediately upon the Completion, it is expected that the bank balances and cash position and net asset value of the Group will be increased with the amount of net proceeds from the Subscription.

In addition, the Company intends to apply substantial parts of the net proceeds from the Subscription for settling certain indebtedness of the Group, it is expected that there would be significant improvement in the bank balances and cash position, net assets value and gearing ratio of the Group after the Completion. The table below illustrates the impacts to the financial position of the Group as if the Subscription had completed as at 30 June 2019.

	As at 30 June 2019	**As enhanced by the net proceeds of the Subscription**	**Increase/ (decrease)**
	HK$'000	*HK$'000*	*%*
	(unaudited)		
Net assets	203,969	331,969	62.8
Bank balances and cash	1,290	32,590	2426.4
Total borrowings (excluding discontinued operation)	163,788	67,088	(59.0)
Gearing ratio	0.81	0.2	(75.0)

In view of the above, the Directors consider, and we concur that the financial position of the Group is expected to be strengthened after the Completion.

10. The Whitewash Waiver

With reference to the section headed "Effect on shareholding structure" in the Letter from the Broad, following the Completion, the Subscriber and its concert parties, who are interested in an aggregate of 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest Practicable Date), will upon Completion in aggregate be interested in 204,315,087 Shares, representing approximately 67.6% of the then issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares).

As such, the Subscriber would be required to make a mandatory general offer to the Shareholders for all the issued shares and other securities of the Company (not already owned or agreed to be acquired by it or any parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

In this regard, the Subscriber has made an application to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. In accordance with the Listing Rules and the Takeovers Code, the Subscriber and parties acting in concert with it, and other Shareholders who are involved or interested in the Subscription, the Specific Mandate and the Whitewash Waiver shall abstain from voting on the respective resolutions at the SGM. Therefore, Mr. Lin Yuhao, who is interested in 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company), shall abstain from voting on the resolutions approving the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM.

The resolutions for (i) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Specific Mandate shall be approved by way of ordinary resolution (representing more than 50% of the votes casted by Independent Shareholders); and (ii) the Whitewash Waiver shall be approved by way of special resolution (representing 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll). Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above and as summarised below:

(i) the Group has been encountering financial and operating difficulties in recent years which it recorded continuing loss for the recent three consecutive years amounted to approximately HK$520.7 million for FY2016, approximately HK$72.9 million for FY2017 and approximately HK$158.6 million for FY2018 and approximately HK$20.9 million for FP2019;

(ii) the Group has been experiencing deteriorating financial position in recent years, in particular, the decreasing trend in the Group's bank balances and cash and the increasing trend in the Group's total borrowings over the past two years;

(iii) the outstanding amount of the Defaulted CB of approximately HK$40.9 million as at 31 January 2020 was in default since February 2019;

(iv) approximately 75.7% of the net proceeds from the Subscription will be used to repay the outstanding amount of the Defaulted CB and certain portion of the indebtedness due to Mr. Lin Yuhao which could improve the Group's financial position and reduce the reliance of the financial supports provided by the Directors;

(v) the discounts represented by the Subscription Price to the prevailing market prices of the Shares is justifiable as discussed in the section headed "6. Analysis of the Subscription Price" in this letter; and

(vi) the Subscription will result in the Subscriber becoming the controlling Shareholder. In view of the background of the Subscriber and its intention to continue expand the Group's existing agricultural business by applying part of the net proceeds from the Subscription, it is expected to bring overall stable prospect of the Group's business, as discussed in the section headed "7. Information and intention of the Subscriber" in this letter.

We consider that, although the transactions contemplated under the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are not in the ordinary and usual course of business of the Company, (i) the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Whitewash Waiver and the Specific Mandate in respect of the Subscription are 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 relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Whitewash Waiver and the Specific Mandate in respect of the Subscription.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Erica Law
Director

Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 9 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The published consolidated financial statements of the Group for the six months ended 30 June 2019 and for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the Company's interim report for the six months ended 30 June 2019 and annual reports for each of the three years ended 31 December 2016, 2017 and 2018 respectively, which can be accessed on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.cfih.hk):

(i) annual report of the Company for the year ended 31 December 2016 published on 27 April 2017, which can be accessed via the link at:

https://www.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn201704272221.pdf

(ii) annual report of the Company for the year ended 31 December 2017 published on 26 April 2018, which can be accessed via the link at:

https://www.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804261705.pdf

(iii) annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, which can be accessed via the link at:

https://www.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429805.pdf

(iv) interim report of the Company for the six months ended 30 June 2019 published on 25 September 2019, which can be accessed via the link at:

https://www.hkexnews.hk/listedco/listconews/sehk/2019/0925/2019092500401.pdf

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 2019 as extracted from the relevant annual and interim reports of the Company:

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2017**	**2016**	**2019**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue	157,221	82,669	92,572	182,652	41,098
Cost of sales and services rendered	(122,435)	(38,251)	(65,824)	(173,918)	(24,255)
Gross profit	34,786	44,418	26,748	8,734	16,843
Loss before taxation	(156,789)	(59,112)	(506,435)	(15,219)	(34,055)
Loss for the year from continuing operations	(161,655)	(64,420)	(507,539)	(16,487)	(36,720)
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	3,061	(8,509)	(13,144)	(4,408)	2,322
Loss for the year	(158,594)	(72,929)	(520,683)	(20,895)	(34,398)
Loss and total comprehensive income for the year attributable to owners of the Company	(157,231)	(75,503)	(518,645)	(23,811)	(33,011)
Loss attributable to owners of the Company:					
— from continuing operations	(161,655)	(64,420)	(507,539)	(16,485)	(36,720)
— from discontinued operations	3,061	(8,509)	(13,144)	(4,408)	2,322
Total comprehensive loss attributable to owners of the Company:					
— from continuing operations	(160,292)	(66,992)	(505,501)	(19,401)	(35,333)
— from discontinued operations	3,061	(8,511)	(13,144)	(4,408)	2,322
Loss per share (HK cents)					
Basic					
— Continuing operations	(14.46)	(6.66)	(7.45)	(24.64)	(70.63)
— Discontinued operations	0.27	(0.88)	(0.19)	(6.59)	4.47
Diluted					
— Continuing operations	(14.46)	(6.66)	(7.45)	(24.64)	(70.63)
— Discontinued operations	0.27	(0.88)	(0.19)	(6.59)	4.47

The Group is principally engaged in (i) growing and trading of agriculture produce; and (ii) provision of money lending services.

No dividend was paid or proposed by the Company during the three years ended 31 December 2016, 2017 and 2018.

The consolidated financial statements of the Company for the two years ended 31 December 2016 and 2017 were audited by Elite Partners CPA Limited and that for the year ended 31 December 2018 was audited by World Link CPA Limited. The material information relating to the financial condition and results of operations of the Group during each of the three financial years ended 31 December 2018 and the six months ended 30 June 2019 which are principally extracted from the respective annual or interim reports, as the case may be, together with the opinions of Elite Partners CPA Limited extracted from the Company's annual reports for the years ended 31 December 2016 and 31 December 2017, and the opinions of World Link CPA Limited extracted from the Company's annual report for the year ended 31 December 2018, respectively, are as follows:

(i) For the financial year ended 31 December 2016

(a) Revenue

During the year ended 31 December 2016, the Group recorded a revenue of approximately HK$93.3 million, representing a decrease of approximately HK$7.9 million or 7.9% from approximately HK$101.2 million for the year ended 31 December 2015. Such decrease was mainly due to the decrease in revenue from sale of agricultural produce of approximately HK$20.9 million.

(b) Total comprehensive loss attributable to owners of the Company

The Group's total comprehensive loss attributable to owners of the Company amounted to approximately HK$518.6 million, representing an increase of approximately HK$478.3 million or 1,185.1% from approximately HK$40.4 million for the year ended 31 December 2015. Such loss was mainly due to (i) other operating expenses of approximately HK$407.6 million which was mainly attributable to loss on expiration of other financial asset of approximately HK$215.5 million; the impairment of investment in associate of approximately HK$95.8 million; the recognition of impairment losses for property, plant and equipment and other receivable of approximately HK$38.0 million and loss of approximately HK$36.2 million as result of early redemption of the promissory notes; and (ii) the recognition of share-based payment expense in relation to the share options granted to directors and other eligible participant s of the Group of approximately HK$72.7 million.

(c) Loss per share

The Group's loss per share amounted to approximately HK$7.64 cents, representing an increase in loss per share of approximately HK$ 6.81 cents or 820.5 % from approximately HK$0.83 cents loss per share for the year ended 31 December 2015. Such increase in loss per share was mainly due to the increase in total comprehensive loss attributable to owners of the Company as mentioned above.

(d) Key audit matters

No qualified opinion was made by Elite Partners CPA Limited in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2016. Without qualifying its opinion, Elite Partners CPA Limited had raised certain key audit matters which is extracted from the annual report of the Company for the year ended 31 December 2016 as follows:

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of the agricultural produce segment	
As at 31 December 2016, the Group had property, plant and equipment ("**PPE**") of approximately HK$62,406,000, as set out in note 16 to the consolidated financial statements. For the purpose of assessing impairment, these assets were allocated to cash generating units for agricultural produce segment ("**CGU**"), and the recoverable amount of the CGU was determined by management based on value in use calculations using cash flow projections. During the year ended 31 December 2016, the Group recognised an impairment loss of approximately HK$9,774,000 for the PPE for the agricultural produce segment. We had identified the impairment assessment of the agricultural produce segment as a key audit matter because significant management judgement was used to appropriately identify the CGU and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value in use calculations.	Our major audit procedures in relation to the impairment assessment on the CGU included the following: • We assessed management's identification of CGU based on the Group's accounting policies and our understanding of the Group; • We assessed the value in use calculations methodology adopted by management; • We compared the prior year cash flow projections with the past performance in the prior year to consider if the projections were overly optimistic; • We assessed the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; • We checked, on a sample basis, the accuracy and reliance of the input data used; and • We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of trade and other receivables	
As at 31 December 2016, The Group had trade and other receivables of approximately HK$31,226,000, as set out in note 24 to the consolidated financial statements. As at 31 December 2016, trade and other receivables of approximately HK$3,302,000 had been past due but determined not to be impaired by the management of the Company. The key associated risk was the recoverability of these past due trade and other receivables. We had identified impairment of trade and other receivables as a key audit matter because management's assessment of the recoverability of the receivables was subjective and significant management judgment was required taking into account customer credit risk, historic collection pattern and subsequent settlement.	Our major audit procedures in relation to impairment assessment of impairment of trade and other receivables included the following: • We obtained a list of trade and other receivables outstanding as at 31 December 2016 from the management of the Company. With regards to amounts of these receivables, we had sent confirmations to confirm the balances as at 31 December 2016; • We discussed with management of the Company the impairment policy, basis and assumptions used in estimation of the recoverable amount of the trade and other receivables and in performing their impairment assessment; and • We obtained from the management of the Company the ageing analysis of the trade and other receivables and assessed the recoverability of trade and other receivables and sufficiency of impairment losses with reference to the credit history of the customers and subsequent settlements. We tested the ageing analysis of the trade and other receivables on a sample basis to the source downwards, for instance, sales invoices, contracts and payment slips.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of an associate	
As at 31 December 2016, the Group had interest in an associate of approximately HK$38,000,000 which represented 25% equity interest in Shenzhen Qianhai Gelin Internet Financial Services Company Limited* (the "**Associate**") as set out in note 20 of the consolidated financial statements. During the year ended 31 December 2016, the Group had recognised an impairment loss of approximately HK$95,805,000 for the interest in an associate. For the purpose of assessing impairment, the recoverable amount of the interests in an associate was determined by management based on value in use calculations. We had identified the impairment assessment of the interests in an associate as a key audit matter because significant management judgement was required to determine whether there was an impairment indicator and to estimate the value in use of the interest in an associate.	Our major audit procedures in relation to impairment assessment of the interest in the Associate included the following: • We obtained and assessed the value in use calculations methodology provided by the management; • We discussed with the management of the Company and assessed the reasonableness of key assumptions adopted by the management to determine the value in use of the interest in the Associate (e.g. operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; • We checked, on a sample basis, the accuracy and reliance of the input data used; and • We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

* *For identification purpose only*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of loan receivables	
As at 31 December 2016, the Group had loan receivables of approximately HK$252,049,000 from the Group's money lending business of providing property mortgage loans and personal loans in Hong Kong and Mainland China as set out in note 25 to the consolidated financial statements. Except for loan receivables of HK$236,623,000 as at 31 December 2016 which was unsecured, all loan receivables were secured by collaterals provided by customers, bear interest and are repayable within fixed terms agreed with the customers. We had identified the impairment assessment of loan receivables as a key audit matter because the impairment assessment was subjective and significant management judgment was required taking into account customer credit risk and the fair value of collaterals, if any.	Our major audit procedures in relation to impairment assessment of loan receivables included the following: • We had obtained a list of loans and interest receivables outstanding as at 31 December 2016 from the management of the Company. With regards to amounts of these receivables, we had sent confirmations to the borrowers to confirm the balances as at 31 December 2016. We had read the terms of the loan agreements shown on the list provided by the management of the Company to see whether there were any collaterals or guarantee arrangements; • We discussed with the management of the Company the procedures it would take before it grant loans to customers. We had performed tests of controls on a sample basis; • We had also reviewed a number of credit files of borrowers selected on a sample basis. Further, we had discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether they are reasonable to ensure sufficient impairment losses are being recognised. Specifically, with regards to loans and interest receivable that had past due, we had discussed with the management of the Company a number of factors, including the financial position of the borrower, the fair value of collaterals, if any, as well as subsequent settlement, if any, etc. and challenged the management of the Company the sufficient of impairment loss and appropriateness of recognition of interest income based on the specific facts and circumstances; and

Key audit matter	How the matter was addressed in our audit
	• We also compared the recoverable amounts of the loan and interest receivables estimated by the management of the Company with the carrying amount recognised in the Group's consolidated statement of financial position.
Impairment assessment of goodwill	
As at 31 December 2016, the Group had goodwill of approximately HK$68,317,000 which relating to the acquisition of Shengzhen Taihengfeng Technology Co. Ltd* ("**CGU**") as set out in note 18 to the consolidated financial statements. During the year ended 31 December 2016, the Group recognised impairment losses of goodwill of approximately HK$12,595,000. For the purpose of impairment assessment, the Group appointed an independent valuer to assess the recoverable amount of CGU. We had identified impairment assessment of goodwill as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the impairment assessment of goodwill included the following: • We obtained cash flow forecasts related to the CGU prepared by management and approved by the directors of the Company; • We discussed with management of the Company and independent valuer engaged by the Company the methodology, bases and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable; • We checked, on a sample basis, the accuracy and reliance of the input data used; and • We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

* *For identification purpose only*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(ii) For the financial year ended 31 December 2017

(a) Revenue

During the year ended 31 December 2017, the Group recorded a revenue of approximately HK$82.7 million, representing a decrease of approximately HK$9.9 million or 10.7 % from approximately HK$92.6 million for the year ended 31 December 2016. Such decrease was mainly contributed by the combined effect of (i) the decrease in revenue from sale of agricultural produce of approximately HK$34.7 million; and (ii) the increase in revenue from money lending of approximately HK$24.8 million.

(b) Total comprehensive loss attributable to owners of the Company

The Group's total comprehensive loss attributable to owners of the Company amounted to approximately HK$75.5 million, representing a decrease of approximately HK$ 443.1million or 85.4 % from approximately HK$518.6 million for the year ended 31 December 2016. Such loss was mainly due to (i) the impairment of goodwill in relation to the acquisition of Shenzhen Qianhai Jinlin Technology Services Company Limited* (深圳市前海錦林科技有限公司) (previously known as Shenzhen Qianhai Gelin Internet Financial Services Company Limited*) of approximately HK$17.6 million; (ii) the recognition of impairment losses for property, plant and equipment of approximately HK$13.1 million; (iii) the impairment of trade and other receivable of approximately HK$10.6 million; and (iv) the operating loss from the agricultural produce business of approximately HK$34.9 million.

(c) Loss per share

The Group's loss per share amounted to approximately HK$0.76 cents, representing a decrease in loss per share of approximately HK$6.88 cents or 90.1 % from approximately HK$7.64 cents loss per share for the year ended 31 December 2017. Such improve was mainly contributed by the improvement in total comprehensive loss attributable to owners of the Company as mentioned above.

(d) Disclaimer of opinion

Elite Partners CPA Limited did not express an opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2017 due to the lack of fundamental audit evidence to validate the transactions included in the consolidated financial statements of the Group which is extracted from the annual report of the Company for the year ended 31 December 2017 as follows:

BASIS FOR DISCLAIMER OF OPINION

Scope Limitation lack of fundamental audit evidence

On 28 July 2017, there was a fire accident in one of the agricultural production base in Ningxia (the "**Ningxia Base**"), resulting loss of supporting documents for the period from March 2017 to July 2017 ("**the Period**"). Because of this inherent limitation, the Directors were unable to provide the primary supporting documents for the Period in Ningxia Base.

Due to the lack of supporting documents, we were unable to obtain sufficient appropriate audit evidence to validate the transactions included in the consolidated financial statements of the Group and the resulting movement in the reserves. We were unable to obtain sufficient appropriate audit evidence regarding the transactions in the Period because certain accounting records of the Group were not practically supported by primary audit evidence which we could rely to perform our audit. We were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, occurrence, valuation, ownership as well as classification and disclosures of the transactions undertaken by the Group.

Given these circumstances, there are no practicable audit procedures that we would perform to satisfy ourselves that the information and documents presents to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's financial information.

(iii) For the financial year ended 31 December 2018

(a) Revenue

During the year ended 31 December 2018, the Group recorded a revenue of approximately HK$157.2 million, representing an increase of approximately HK$74.5 million or 90.2 % from approximately HK$82.7 million for the year ended 31 December 2017. Such increase was mainly contributed by the significant increase in revenue generated from the agricultural business of approximately HK$72.6 million.

(b) Total comprehensive loss attributable to owners of the Company

The Group's total comprehensive loss attributable to owners of the Company amounted to approximately HK$157.2 million, representing an increase of approximately HK$81.7 million or 108.2% from approximately HK$75.5 million for the year ended 31 December 2017. Such loss was mainly due to (i) the significant increase in the other operating expenses of approximately HK$21.5 million; (ii) the share of result and impairment loss of Shenzhen Qianhai Gelin Internet Financial Services Company Limited, an associate of the Company, of approximately HK$44.1 million; (iii) the increase in finance cost of approximately HK$14.2 million; and (iv) the increase in selling and distribution expenses of approximately HK$11.2 million.

(c) Loss per share

The Group's loss per share amounted to approximately HK$14.19 cents, representing an increase in loss per share of approximately HK$6.65 cents or 88.2% from approximately HK$7.54 cents loss per share for the year ended 31 December 2017. Such increase in loss per share was mainly contributed by the increase in total comprehensive loss attributable to owners of the Company as mentioned above.

(d) Qualified opinion, material uncertainty related to going concern and key audit matters

World Link CPA Limited expressed a qualified opinion, and raised a material uncertainty related to going concern and certain key audit matters on the consolidated financial statements of the Group for the financial year ended 31 December 2018. The basis for the qualified opinion, the material uncertainty related to going concern and the key audit matters for the financial year ended 31 December 2018 is extracted from the annual report of the Company for the year ended 31 December 2018 as follows:

BASIS FOR QUALIFIED OPINION

In the predecessor auditor's report dated 28 March 2018 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Financial Statements**"), the predecessor auditor did not express an opinion on the 2017 Financial Statements. The disclaimer of opinion was resulted from scope limitation arose from lack of fundamental audit evidence of supporting documents for the period from March 2017 to July 2017 of one of the Group's agricultural production base in Ningxia, the People's Republic of China (the "**Ningxia Base**") due to a fire accident. As resulted by the lack of supporting documents of the Ningxia Base, the predecessor auditor was unable to obtain sufficient appropriate audit evidence to validate the transactions and the resulting movement in the reserves in the 2017 Financial Statements.

Any adjustments that might have been found necessary may have a significant effect on the Group's financial performance, movement in the reserve and elements making up the consolidated cash flows of the Group for the year ended 31 December 2017, and the presentation and disclosure thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK$158,594,000 with net cash outflow from operating activities before working capital changes of approximately HK$38,797,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had bank balances and cash of approximately HK$4,834,000, in contrast, the Group's bonds and convertible bonds of approximately HK$29,358,000 and HK$41,577,000 respectively were overdue which have become repayable on demand. In addition, the Group's bonds and bank borrowings of approximately HK$11,617,000 and HK$79,822,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in notes 27 and 29 to the consolidated financial statements respectively. Based on the current liquidity position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 2.1 to the consolidated financial statements to meet its overdue financial obligations from time to time. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are: (i) impairment and recoverability of the Group's loan receivables; and (ii) impairment of goodwill.

Key audit matter	How our audit addressed the Key audit matter
(i) Impairment and recoverability of the Group's loan receivables	
Refer to the summary of significant accounting policies in note 2.3, critical judgements and key estimates in note 3 and the disclosures of loan receivables in note 23 to the consolidated financial statements. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment loss of loan receivables by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significant amount of loan receivables (with carrying amount representing 57% of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	Our procedures in relation to this matter included: Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and estimate of ECL; Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances; Inspected settlements after the financial year end relating to the loan receivables as at 31 December 2018; and We also assessed the disclosures made in the consolidated financial statements in relation to the Group's credit risk explosure.

Key audit matter	How our audit addressed the Key audit matter
(ii) Impairment of goodwill	
Refer to the summary of significant accounting policies in note 2.3, critical judgements and key estimates in note 3 and the disclosures of goodwill in note 17 to the consolidated financial statements.	Our procedures in relation to this matter included:
	We discussed with management about the technological, market, economic and legal environment and economic performance of each cash-generating unit to assess management's identification of impairment indicators;
For the year ended 31 December 2018, the Group had made impairment losses of goodwill attributable to the cash-generating unit of Shenzhen Taihengfeng Technology Company Limited of approximately HK$34,955,000 which were significant to the Group's financial performance due to a higher degree of complexity, and the significance of management's judgements and unobservable inputs involved in the valuations.	We assessed the key assumptions used in management's cash flow projections for impairment assessment of goodwill, including, amongst others, expected future cash flows and discount rates; In addition, we engaged a valuation specialist to assist us in evaluating the discount rates adopted in the value-in-use calculations using cash flow projections; and We also assessed the adequacy of disclosures in connection with the impairment assessment of goodwill.
An impairment assessment is performed by management annually or when there are indicators of impairment by comparing the carrying amount and the recoverable amount of the asset or the cash-generating unit to which the asset relates. The impairment were assessed by the management based on valuation performed by an independent company of professional valuer ("**Valuer**") engaged by the Group.	
The impairment assessment is significant to our audit due to the significant judgements and estimates involved in determining the recoverable amount of the cash-generating unit to which the goodwill is allocated, including, amongst others, expected future cash flows and discount rates.	

(iv) For the six months ended 30 June 2019

(a) Revenue

During the six months ended 30 June 2019, the Group recorded a revenue of approximately HK$182.7 million, representing an increase of approximately HK$141.6 million or 344.4% from approximately HK$41.1 million for the six months ended 30 June 2018. Such increase was mainly contributed by the significant increase in revenue generated from the agricultural business of approximately HK$146.8 million.

(b) Total comprehensive loss attributable to owners of the Company

The Group's total comprehensive loss attributable to owners of the Company amounted to approximately HK$23.8 million, representing a decrease of approximately HK$9.2 million or 27.9% from approximately HK$33.0 million for the six months ended 30 June 2018. Such improvement was mainly due to the combined effect of (i) the decrease in administrative expenses of approximately HK$8.4 million; (ii) the decrease in selling and distribution expense of approximately HK$12.7 million; (iii) the decrease in other expenses of approximately HK$11.0 million; (iv) the increase in finance cost of approximately HK$2.7 million and (v) the loss of exchange differences arising on translation of foreign operations of approximately HK$4.3 million.

(c) Loss per share

The Group's loss per share amounted to approximately HK$31.23 cents, representing a decrease in loss per share of approximately HK$34.93 or 52.8% from approximately HK$66.16 cents loss per share for the six months ended 30 June 2019. Such improve was mainly contributed by the improvement in total comprehensive loss attributable to owners of the Company as mentioned above.

2. INDEBTEDNESS STATEMENT

As at 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had a total indebtedness of approximately HK$251.4 million which consists of:

(i) secured bank borrowings of approximately HK$15.0 million (being the aggregate outstanding amount relating to the two bank loans in the outstanding principal amount of RMB6,000,000 and RMB7,500,000, respectively) that were secured by the Group's leasehold land and buildings in the PRC;

(ii) secured finance lease over an office vehicle of the Group in the outstanding amount of approximately HK$58,728 that was secured by the pledge over the relevant vehicle of the Group;

(iii) unsecured convertible bonds of outstanding principal amount plus accrued interest of approximately HK$40.9 million;

(iv) unsecured corporate bonds of outstanding principal amount plus accrued interest of approximately HK$31.4 million (being the outstanding principal amount of approximately RMB22,599,621 plus accrued interest);

(v) unsecured outstanding principal amount of the promissory notes owned to Mr. Lin Yuhao and Mr. Lin Yupa plus accrued interest of approximately HK$27.3 million; and

(vi) other unsecured borrowings of approximately HK$136.7 million (being the total of (1) the outstanding amount owed to Mr. Lin Yuhao, Mr. Lin Yupa, Mr. Lin Zhiqun and Ms. Diao Jing under the existing unsecured non-interest bearing personal loans and (2) the loan of RMB500,000 owed to a third party lender).

The amounts of the Group's indebtedness as at 31 January 2020 repayable within one year and between two and three years were approximately HK$244.7 million and HK$6.7 million respectively. For details, please refer to the section headed "Indebtedness of the Group" in this circular.

Other than the aforesaid, apart from normal trade and other payables in the ordinary course of business of the Group, the Group has no other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as of 31 January 2020.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position since 31 January 2020.

3. MATERIAL CHANGE

(a) As disclosed in the Company's announcement dated 25 May 2017, the Group (as vendor) entered into a sale and purchase agreement with an independent third parties (as a purchaser) for the possible disposal of the entire issued capital in Golden Rich Securities Limited ("**GRSL**"), a wholly-owned subsidiary of the Company, for a total consideration of approximately HK$25.0 million. Since 20 October 2017, the Group has entered into several supplemental deeds with the purchaser to further extend the completion date, details of which are disclosed in the announcements of the Company dated 31 May 2017, 20 October 2017, 22 February 2018, 24 April 2018, 25 May 2018, 24 July 2018, 24 September 2018, 23 November 2018, 24 December 2018, 25 February

2019, 25 March 2019, 25 April 2019, 24 May 2019, 24 June 2019, 24 July 2019, 23 August 2019, 24 September 2019, 24 October 2019, 25 November 2019, 24 December 2019, 23 January 2020 and 24 February 2020. The disposal constitutes a discloseable transaction under the Listing Rules and GRSL will cease to be a subsidiary of the Company upon completion. Such disposal has not been completed up to the Latest Practicable Date and it represents a disposal of an existing non-core business of the Group and thus a possible change in the business segment mix and revenue income of the Group upon completion;

(b) as disclosed in the announcement of the Company dated 14 February 2019, the issue of the convertible bonds by the Company with aggregate principal amount of HK$39,500,000 at conversion price of HK$0.091 (adjusted from HK$0.091 to HK$1.82 per share as a result of the capital reorganisation effective on 25 April 2019 as stated in paragraph (e) below) per share ("**CB1**") to independent third parties under the specific mandate has been completed. The net proceeds from the issue of CB1 of approximately HK$39,300,000 was intended for the repayment of overdue debts of the Company. As disclosed in the interim report of the Company for the six months ended 30 June 2019 (the "**Interim Report**"), the above mentioned net proceed was fully utilised and on 4 June 2019, the said convertible bonds were converted in full into 21,703,295 Shares and such changes have been reflected in the Interim Report. The aggregate impact on the Company's financial position in respect of the issuance and the subsequent full conversion of CB1 and CB2 (as defined in paragraph (d) below) was an increment of approximately HK$59,589,000 to the Company's total equity as at 30 June 2019;

(c) as disclosed in the announcement of the Company dated 22 February 2019, the Company received a repayment demand letter from Hui Jia on 20 February 2019, requesting the Company to repay the convertible bonds which matured on 7 February 2019 with outstanding principal amount and the interest accrued under the subscription agreement entered into between the Company and Hui Jia on 23 January 2018, in a total sum of approximately HK$42 million. As disclosed in the Interim Report, the Company repaid HK$3 million principal amount of the convertible bonds to the holder and as at 30 June 2019, the liability component comprising the outstanding principal amount and the interest accrued amounted to a total sum of approximately HK$40,725,000, and the equity component of approximately HK$1,427,000 was recognised as "convertible bonds reserve";

(d) as disclosed in the announcement of the Company dated 25 March 2019, the issue of the convertible bonds by the Company with aggregate principal amount of HK$18,592,000 at conversion price of HK$0.083 (adjusted from HK$0.083 to HK$1.66 per share as a result of the capital reorganisation effective on 25 April 2019 as stated in paragraph (e) below) per share ("**CB2**") to independent third parties under the general mandate has been completed. The net proceeds from the issue of CB2 of approximately HK$18.5 million was intended for the repayment of debts as at 30 June 2019. As disclosed in the Interim Report, the abovementioned net proceed was fully utilised and on 29 May 2019, the said convertible bonds were converted in full into 11,200,000 Shares and such changes have been reflected in the Interim Report. The aggregate impact on the Company's financial position in respect of the issuance and the subsequent full conversion of CB1 and CB2 was an increment of approximately HK$59,589,000 to the Company's total equity as at 30 June 2019;

(e) as disclosed in the Company's circular dated 1 April 2019 and the Company's announcement dated 24 April 2019, the proposed capital reorganisation ("**Capital Reorganisation**") has been approved by the shareholders of the Company in a special general meeting of the Company on 24 April 2019, the Capital Reorganisation has become effect on 25 April 2019 as details below:

(i) ***Capital Reduction*** — reduction in the par value of each issued share from HK$0.01 to HK$0.0005 ("**Reduced Shares**") by cancelling paid up capital to the extent of HK$0.0095 on each issued share and a round down of the total number of shares in the issued share capital of the Company immediately following the Share Consolidation to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company arising from the Share Consolidation; and

(ii) ***Share Consolidation*** **-** consolidation of the Reduced Shares on the basis that every 20 issued Reduced Shares of HK$0.0005 each will be consolidated into one consolidated share of HK$0.01 each;

On the assumption that no further Shares would be issued after the Capital Reorganisation, a credit of HK$11,707,493.46 would arise as a result of the Capital Reduction. Such credit would be transferred to the contributed surplus account of the Company and the aggregate balance standing to the credit of the contributed surplus account after the Capital Reorganisation would be applied to set off to the same extent the accumulated losses of the Company whereas such changes have been reflected in the Interim Report.

(f) as disclosed in the interim report of the Company for the six months ended 30 June 2019, the Group recorded a net loss of approximately HK$20.9 million for the six months ended 30 June 2019 as compared to a net loss of approximately HK$34.4 million for the six months ended 30 June 2018. Such decrease in loss for the reporting period was mainly due to a significant decrease in selling and distribution expenses, administrative expenses and other operating expenses; and

(g) as disclosed in the Profit Alert Announcement, the Group is expected to record a significant reduction in the Group's net loss for the financial year ended 31 December 2019 (the "**FY2019**") as compared to that for the financial year ended 31 December 2018 (the "**FY2018**"), which was mainly due to (i) decrease in total expenses and finance costs (including discontinued operations) by approximately 41.5% from approximately HK$127.0 million for the FY2018 to approximately HK$73.4 million for the FY2019. It was mainly attributable to (a) a significant reduction of the total selling and distribution expenses as a result of the Group's change of strategies from self-production to sub-contracting arrangement since late 2018 in respect of its agricultural business segment; (b) the reduction of administrative expenses of the Group; (c) a decrease in other operating expenses mainly due to (1) less exchange loss attributable to depreciation of Renminbi; and (2) reduction in impairment loss of goodwill in relation to acquisition of micro finance business in China in the amount of HK$34.9 million as recorded in the FY2018 and such reduction is not yet finalised as it is subject to the valuation by the independent valuer; and (d) the reduction of finance costs as a result of repayment to the certain interest bearing personal loans during the first half of 2019; and (ii) decrease in share of loss from an associate in the amount of approximately HK$45.2 million as recorded in FY2018.

Save as disclosed above, the Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

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 (other than that relating to the Subscriber, Mr. Lin Yuhao and Mr. Lin Yupa) 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber and parties acting in concert with it (including Mr. Lin Yuhao and Mr. Lin Yupa) contained in this circular has been supplied by the sole director of the Subscriber, Mr. Lin Yuhao. The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than that relating to the Company) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) Share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issuance of the Subscription Shares); and (iii) share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion and upon full exercise of the existing Share Options and full conversion of Preference Shares, save for the allotment and issuance of the Subscription Shares) as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per Share or Preference Shares (as the case may be)	Number of Shares or Preference Shares (as the case may be)
Authorised:		
Ordinary Shares	HK$0.01	150,000,000,000
Preference Shares	HK$0.01	10,000,000,000
Issued and fully paid:		
Ordinary Shares	HK$0.01	102,083,407
Preference Shares	HK$0.01	3,030,000

(ii) Share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issuance of the Subscription Shares)

	Nominal value per Share or Preference Shares (as the case may be)	Number of Shares or Preference Shares (as the case may be)
Authorised:		
Ordinary Shares	HK$0.01	150,000,000,000
Preference Shares	HK$0.01	10,000,000,000
Issued and fully paid:		
Subscription Shares to be issued pursuant to the Subscription	HK$0.01	200,000,000
Shares in issue upon Completion	HK$0.01	302,083,407
Preference Shares upon Completion	HK$0.01	3,030,000

(iii) Share capital immediately upon Completion (assuming there will be no other change in the number of issued Shares between the Latest Practicable Date and the date of Completion and upon full exercise of the existing Share Options and full conversion of Preference Shares, save for the allotment and issuance of the Subscription Shares)

	Nominal value per Share or Preference Shares (as the case may be)	**Number of Shares or Preference Shares (as the case may be)**
Authorised:		
Ordinary Shares	HK$0.01	150,000,000,000
Preference Shares	HK$0.01	10,000,000,000
Issued and fully paid:		
Subscription Shares to be issued pursuant to the Subscription	HK$0.01	200,000,000
Shares in issue upon Completion	HK$0.01	307,756,513
Preference Shares upon Completion	HK$0.01	Nil

All issued Shares rank equally in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. Holders of the fully paid Subscription Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

(b) Share Options

Date of grant	Exercise price (HK$/Share)	Number of outstanding Share Options	Exercise period
3 July 2015	99.0	1,891,219	3 July 2015 – 2 July 2025
10 September 2015	69.8	2,575	10 September 2015 – 9 September 2025
22 July 2016	39.6	674,898	22 July 2016 – 21 July 2026
20 September 2017	7.8	1,118,900	20 September 2017 – 19 September 2027
9 July 2018	1.804	79,932	9 July 2018 – 8 July 2028
24 July 2019	1.144	1,890,432	24 July 2019 – 23 July 2029
		5,657,956	

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

Save and except for (i) the allotment and issuance of 11,200,000 Shares on 29 May 2019 following the conversion of convertible bonds issued by the Company on 25 March 2019; (ii) the allotment and issuance of 21,703,295 Shares on 4 June 2019 following the conversion of convertible bonds issued by the Company on 14 February 2019; and (iii) the allotment and issuance of 472,608 Shares, 5,028,549 Shares and 2,060,569 Shares on 30 September 2019, 11 October 2019 and 16 March 2020, respectively following the exercise of Share Options, no Shares have been issued by the Company since 31 December 2018 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

(c) Preference Shares

3,030,000 Preference Shares, the conversion of which in full will result in the issue of 15,150 Shares. According to the terms and conditions of the Preference Shares, the Subscription would not trigger a compulsory conversion of the Preference Shares. As at the Latest Practicable Date, the registered owner and the beneficial owner of 3,030,000 Preference Shares is Mr. Chen Changjie (陳昌杰). As at the Latest Practicable Date, the Company has not received any notice from the holder of the Preference Shares regarding his decision to exercise the conversion of the Preference Shares.

The Preference Shares are non-redeemable with par value of HK$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in 2012. According to the terms of the Preference Share and after the share consolidation exercises of the Company that took place on 25 June 2018 and 25 April 2019, 200 Preference Shares is eligible to convert into one Share.

3. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing on the date falling six months preceding 6 February 2020, being the date of the Announcement, up to and including the Latest Practicable Date (i.e. the Relevant Period); (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
30 August 2019	0.95
30 September 2019	1.16
31 October 2019	0.85
29 November 2019	0.91
31 December 2019	0.92
17 January 2020 (the Last Trading Day)	0.95
5 February 2020 (the last Business Day immediately preceding the Announcement)	Trading suspended
28 February 2020	1.07
17 March 2020 (being the Latest Practicable Date)	1.00

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$1.43 on 12 September 2019 and HK$0.84 on 5 November 2019, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

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

Name of Directors	Capacity	Nature of interest	Number of shares/ underlying shares	Percentage of shareholding
Diao Jing	Beneficial owner	Ordinary shares	1,505,548 (L)	1.48%
Lin Yuhao	Beneficial owner	Share options	1,539,948 (L)	1.5%
	Interest of a controlled corporation	Ordinary shares	4,315,087 (L) *(Note 2)*	4.2%
Lin Yupa	Beneficial owner	Share options	1,370,216 (L)	1.3%

Notes:

1. The letter "L" denotes long position in the shares.

2. 4,315,087 shares were held by Sino Richest Investment Holdings Limited which is wholly and beneficially owned by Mr. Lin Yuhao.

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

(b) Substantial Shareholders

As at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

There is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTOR'S INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2018 (being the date of which the latest published audited financial statements of the Group were made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

8. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date, other than the Subscription Agreement (as amended and supplemented by the Supplemental Agreement):

(a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) or the Whitewash Waiver;

(b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) or Whitewash Waiver otherwise connected with the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) or Whitewash Waiver;

(c) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director regarding any benefit to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) or the Whitewash Waiver; and

(d) none of the Directors was materially interested in any material contract entered into by the Subscriber.

9. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

(a) As at the Latest Practicable Date, none of the Subscriber and parties acting in concert with it were interested in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, save for (i) 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest Practicable Date) held by the Subscriber; (ii) 1,539,948 Share Options held by Mr. Lin Yuhao entitling him to subscribe 1,539,948 Shares of the Company upon full exercise of the aforementioned Share Options; and (iii) 1,370,216 Share Options of the Company held by Mr. Lin Yupa entitling him to subscribe 1,370,216 Shares of the Company upon full exercise of the aforementioned Share Options.

(b) As at the Latest Practicable Date, the sole director of the Subscriber, Mr. Lin Yuhao, had no interest in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, save for (i) 4,315,087 Shares (representing approximately 4.2% of the issued share capital of the Company as at the Latest Practicable Date) held by the Subscriber; and (ii) 1,539,948 Share Options of the Company held by Mr. Lin Yuhao entitling him to subscribe 1,539,948 Shares of the Company upon full exercise of the aforementioned Share Options.

(c) As at the Latest Practicable Date, no Subscription Shares acquired by the Subscriber in pursuance of the Subscription will be transferred, charged or pledged to any other persons;

(d) As at the Latest Practicable Date, there is no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber and any parties acting in concert with it and any Director, recent director, Shareholder or recent shareholder of the Company having any connection with or dependence upon the Subscription and/or the Whitewash Waiver;

(e) As at the Latest Practicable Date, the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;

(f) As at the Latest Practicable Date, save for Mr. Lin Yuhao being the registered and beneficial owner of the Subscriber, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;

(g) Save for (i) the Subscription; and (ii) exercise of 945,216 Share Options by Ms. Diao Jing, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period and up to the Latest Practicable Date.

(h) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares or convertible securities, options, warrants or derivatives of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;

(i) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and no such person had owned, controlled or dealt for value in any shares or any convertible securities, warrants, options or derivative of the Company during the Relevant Period;

(j) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any such securities of the Company during the Relevant Period;

(k) As at the Latest Practicable Date, none of the Directors having any beneficial shareholdings in the Company irrevocably committed themselves to vote for or against the resolution approving the transactions contemplated under the Subscription and/or the Whitewash Waiver; and

(l) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Company.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

11. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants

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

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

(a) the Subscription Agreement and the Supplemental Agreement;

(b) four (4) subscription agreements dated 4 March 2019 entered into by the Company and each of Ms. Zhang Lize, Mr. Ceng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng pursuant to which the Company agreed to issue one-year convertible bond in the principal amount of HK$4,648,000 to each of them whereas the convertible bonds issued had the conversion price of HK$0.083 per share (subject to adjustments) and an interest rate of 5% per annum;

(c) five (5) subscription agreements dated 18 July 2018 entered into by the Company and each of Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei and Mr. Zhang Junta pursuant to which the Company agreed to issue one-year convertible bond in the principal amount of HK$7,900,000 to each of them whereas the convertible bonds issued had the conversion price of HK$0.091 per share (subject to adjustments) and an interest rate of 5% per annum; and

(d) two (2) subscription agreements dated 15 May 2018 entered into by the Company and each of Mr. Hong Shaopei and Mr. Wang Choayang pursuant to which the Company agreed to issue one-year convertible bond in the principal amount of HK$10,600,000 to each of them whereas the convertible bonds issued had the conversion price of HK$0.023 per share (subject to adjustments) and an interest rate of 5% per annum.

The Subscriber confirms that:

(i) each of the subscribers under the subscription agreements as stated in paragraphs (b), (c) and (d) above (the "**Previous Subscription Agreements**"), namely Ms. Zhang Lize, Mr. Ceng Yingxiang, Mr. Luo Yingling, Mr. Zhang Huifeng, Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei, Mr. Zhang Junta, Mr. Hong Shaopei and Mr. Wang Choayang (collectively, the "**Previous Subscribers**") has no existing or prior, express or implied relationship among each of them, Mr. Lin Yuhao and/or any parties acting in concert with him;

(ii) there is no arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among each of the Previous Subscribers, Mr. Lin Yuhao and/or any parties acting in concert with him.

On 11 June 2018, the Company issued and allotted 460,869,565 Shares to each of Mr. Hong Shaopei and Mr. Wang Choayang (representing a total of 921,739,130 Shares) upon the exercise of the conversion rights under the respective subscription agreements.

On 4 June 2019, the Company issued and allotted 4,340,659 Shares to each of Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei and Mr. Zhang Junta (representing a total of 21,703,295 Shares) upon exercise of conversion rights under the respective subscription agreements.

On 29 May 2019, the Company respectively issued and allotted 2,800,000 Shares to each of Ms. Zhang Lize, Mr. Ceng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng (representing a total of 11,200,000 Shares).

13. CORPORATE AND OTHER INFORMATION

The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The share registrar of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The company secretary of the Company is Mr. Au Yeung Ming Yin Gordon, a member of the Hong Kong Institute of Certified Public Accountants.

The ultimate beneficial shareholder and the sole director of the Subscriber is Mr. Lin Yuhao and the registered office of the Subscriber is situated at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.

The residential address of Mr. Lin Yupa, who is a party acting in concert with Mr. Lin Yuhao, is 7/F, Jinyucheng Building, 592 Bulong Road, Bantian Street, Longgang District, Shenzhen City, China.

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) at the principal place of business of the Company in Hong Kong at Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours (9:00 a.m. to 6:00 p.m.) from Monday to Friday (both days inclusive); and (ii) on the websites of the Company (http://www.cfih.hk) and the Securities and Futures Commission (http://www.sfc.hk), in each case from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter from the Board, the text of which is set out in this circular;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from Messis Capital Limited, the text of which is set out in this circular;

(e) the reports on the Profit Alert Announcement from the Company's accountants and the Independent Financial Adviser, the text of which is set out in Appendix III to this circular;

(f) the consent letters as referred to in the paragraph headed "11. Qualification and Consent of Experts" in this Appendix;

(g) the material contracts referred to in the paragraph headed "12. Material Contracts" in this Appendix;

(h) the annual reports of the Company for the two financial years ended 31 December 2017 and 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019; and

(i) this circular.

1. PROFIT ALERT ANNOUNCEMENT

The following is the full text of the Profit Alert Announcement, which is repeated in full in this circular pursuant to Rule 10.4 of the Takeovers Code.

CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

PROFIT ALERT

This announcement is made by China Finance Investment Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

Reference is made to (i) the announcement of the Company dated 6 February 2020 in connection with, among others, the Subscription, the Specific Mandate and the Whitewash Waiver (the "**Announcement**"); and (ii) the announcement of the Company dated 27 February 2020 regarding the delay in despatch of the circular relating to the Subscription, the Specific Mandate and the Whitewash Waiver (the "**Circular**"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

The Board wishes to inform the Shareholders of the Company and potential investors that, based on the preliminary review of the financial information currently available, the Group expects to record significant reduction in the net loss for the financial year ended 31 December 2019 (the "**FY2019**") as compared to that for the financial year ended 31 December 2018 (the "**FY2018**"). It was mainly due to:

(i) decrease in total expenses and finance costs (including discontinued operations) by approximately 41.5% from approximately HK$127.0 million for the FY2018 to approximately HK$73.4 million for the FY2019. It was mainly attributable to (a) a significant reduction of the total selling and distribution expenses as a result of the Group's change of strategies from self-production to sub-contracting arrangement since late 2018 in respect of its agricultural business segment; (b) the reduction of administrative expenses of the Group; (c) a decrease in other operating expenses mainly due to (1) less exchange loss attributable to depreciation of Renminbi; and (2) reduction in impairment loss of goodwill in relation to acquisition of micro finance business in China in the amount of HK$34.9 million as recorded in the FY2018 and such reduction is not yet finalised as it is subject to the valuation by the independent valuer; and (d) the reduction of finance costs as a result of repayment to the certain interest bearing personal loans during the first half of 2019; and

(ii) decrease in share of loss from an associate in the amount of approximately HK$45.2 million as recorded in the FY2018.

As the Company is still in the process of finalising the financial results for the FY2019, the information contained in this announcement is solely based on the preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group for the FY2019 and the information currently available, and is not based on any figures or information reviewed by the Company's audit committee and/or audited by the independent auditors of the Company. Shareholders and potential investors of the Company are advised to refer to the details of the Group's annual results announcement for the FY2019, which is expected to be published on or before 31 March 2020 in accordance with the Listing Rules.

This profit alert is considered to constitute a profit forecast under Rule 10 of the Takeovers Code. As such, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to this profit forecast which has to be reported on by the Company's auditors and Independent Financial Adviser and repeated in full, together with such reports, in the next document to be despatched to the Shareholders, being the Circular, unless the annual results announcement for the FY2019 has been published prior to the next document to be sent to the Shareholders in relation to the Subscription, Specific Mandate and the Whitewash Waiver.

Taking into account (i) the practical difficulties in terms of the additional time required for the preparation of the aforesaid reports by the Company's auditors and Independent Financial Adviser; and (ii) the requirement for timely disclosure of inside information under Rule 13.09 of the Listing Rules and Part XIVA of the SFO, the profit forecast in this announcement does not meet the standard required by Rule 10 of the Takeovers Code. The Company will arrange for such profit forecast to be reported on in the Circular in accordance with Rule 10 of the Takeovers Code.

As disclosed in the announcement of the Company dated 27 February 2020, the Circular is expected to be despatched to the Shareholders on or before 17 April 2020.

Shareholders and potential investors should note that the information contained in this announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not yet been reported on in accordance with the Takeovers Code. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company or placing reliance on this announcement in assessing the merits and demerits of the Subscription, the Specific Mandate and the Whitewash Waiver.

By order of the Board
China Finance Investment Holdings Limited
Lin Yuhao
Chairman

Hong Kong, 4 March 2020

As at the date of this announcement, the board of directors of the Company comprises six directors, including two executive directors, namely Ms. Diao Jing and Mr. Lin Yupa, one non-executive director, namely Mr. Lin Yuhao and three independent non-executive directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.

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

2. BASES OF PREPARATION OF THE PROFIT ALERT ANNOUNCEMENT

The Directors confirm that the Profit Alert Announcement was prepared based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2018, except for (i) fair value movements of goodwill; and (ii) share of result from an associate for the year ended 31 December 2019 have not been taken into account.

3. REPORT FROM MCMILLAN WOODS (HONG KONG) CPA LIMITED

The following is the full text of the report on the Profit Alert Announcement from McMillan Woods (Hong Kong) CPA Limited, the Company's reporting accountants, for the purpose for inclusion in this circular.

McMillanWoods
Professionalism at the forefront

長青

20 March 2020

The Board of Directors
China Finance Investment Holdings Limited
Suite 1510, 15/F,
Ocean Centre Harbour City,
5 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

China Finance Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**").

Profit Estimate for the year ended 31 December 2019

We refer to the statement as set out in the Company's announcement dated 4 March 2020 in respect of the profit alert made by the directors of the Company, which contains an estimate of unaudited consolidated loss of the Group for the year ended 31 December 2019 (the "**Profit Estimate**") as extracted below:

"The Board wishes to inform the Shareholders of the Company and potential investors that, based on the preliminary review of the financial information currently available, the Group expects to record significant reduction in the net loss for the financial year ended 31 December 2019 (the "**FY2019**") as compared to that for the financial year ended 31 December 2018 (the "**FY2018**"). It was mainly due to:

(i) decrease in total expenses and finance costs (including discontinued operations) by approximately 41.5% from approximately HK$127.0 million for the FY2018 to approximately HK$73.4 million for the FY2019. It was mainly attributable to (a) a significant reduction of the total selling and distribution expenses as a result of the Group's change of strategies from self-production to sub-contracting arrangement since late 2018 in respect of its agricultural business segment; (b) the reduction of administrative expenses of the Group; (c) a decrease in other operating expenses mainly due to (1) less exchange loss attributable to depreciation of Renminbi; and (2) reduction in impairment loss of goodwill in relation to acquisition of micro finance business in China in the amount of HK$34.9 million as recorded in the FY2018 and such reduction is not yet finalised as it is subject to the valuation by the independent valuer; and (d) the reduction of finance costs as a result of repayment to the certain interest bearing personal loans during the first half of 2019; and

(ii) decrease in share of loss from an associate in the amount of approximately HK$45.2million as recorded in the FY2018."

We have been advised by the directors of the Company that the Profit Estimate was prepared based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2018, except for the amount of impairment loss of goodwill for the year ended 31 December 2019 is not yet finalised as it is subject to the valuation by the independent valuer.

The Profit Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2019 and an estimate of the consolidated results of the Group after taking into account of (i) fair value movements of goodwill; and (ii) share of result from an associate for the year ended 31 December 2019.

The Company's directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (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 Engagement" 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 on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in paragraph headed "2. Bases of preparation of the Profit Alert Announcement" in Appendix III to the circular dated 20 March 2020 issued by the Company and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2018, except for (i) fair value movements of Goodwill; and (ii) share of result from an associate for the year ended 31 December 2019 have not been taken into account.

Yours faithfully,

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

4. REPORT FROM MESSIS CAPITAL LIMITED

The following is the full text of the report on the Profit Alert Announcement from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this Composite Document.

MESSIS 大有融資

MESSIS CAPITAL LIMITED
Room 1606, 16/F
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

20 March 2020

The Board of Directors
China Finance Investment Holdings Limited
Suite 1510, 15/F, Ocean Centre
Harbour City, 5 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Dear Sirs,

We refer to the profit alert announcement dated 4 March 2020 issued by China Finance Investment Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") in respect of the unaudited consolidated net loss of the Group for the year ended 31 December 2019 (the "**Profit Alert Announcement**"), and the circular of the Company dated 20 March 2020 (the "**Circular**") in relation to the issue of subscription shares to connected person under specific mandate, the proposed repayment of indebtedness and the application for whitewash waiver. Capitalised terms used in this letter shall have the same meanings as defined in the Profit Alert Announcement and the Circular unless otherwise stated.

With reference to the Profit Alert Announcement and the below statement (h) under the section headed "3. MATERIAL CHANGE" made by the Board in Appendix I to the Circular (the "**Profit Estimate**"), it states that:

*"based on the preliminary review of the financial information currently available, the Group expects to record significant reduction in the net loss for the financial year ended 31 December 2019 (the "**FY2019**") as compared to that for the financial year ended 31 December 2018 (the "**FY2018**"). It was mainly due to:*

(i) decrease in total expenses and finance costs (including discontinued operations) by approximately 41.5% from approximately HK$127.0 million for the FY2018 to approximately HK$73.4 million for the FY2019. It was mainly attributable to (a) a significant reduction of the total selling and distribution expenses as a result of the Group's change of strategies from self-production to sub-contracting arrangement since late 2018 in respect of its agricultural business segment; (b) the reduction of administrative expenses of the Group; (c) a decrease in other operating expenses mainly due to (1) less exchange loss attributable to depreciation of Renminbi; and (2) reduction in impairment loss of goodwill in relation to acquisition of micro finance business in China in the amount of HK$34.9 million as recorded in the FY2018 and such reduction is not yet finalised as it is subject to the valuation by the independent valuer; and (d) the reduction of finance costs as a result of repayment to the certain interest bearing personal loans during the first half of 2019; and

(ii) decrease in share of loss from an associate in the amount of approximately HK$45.2 million as recorded in FY2018."

The Profit Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser or independent financial adviser, and the auditor or consultant accounts.

We have reviewed the Profit Estimate and other relevant information and documents (in particular, the unaudited consolidated management accounts of the Company for the year ended 31 December 2019 (the "**Unaudited Management Account**")) which you as the Directors are solely responsible for and discussed with the Company the information and documents (in particular, the Unaudited Management Account) provided by the Company which formed the key bases upon which the Profit Estimate has been made.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have relied upon the report as set out in the Appendix III to the Circular addressed to the Board from McMillan Woods (Hong Kong) CPA Limited, being the auditors of the Company. McMillan Woods (Hong Kong) CPA Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2018, except for the amount of impairment loss of goodwill for the year ended 31 December 2019 is not yet finalised as it is subject to the valuation by the independent valuer.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible for, has been prepared with due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The Directors remain solely responsible for the Profit Estimate.

Our opinion has been given for the sole purpose of compliance with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this letter.

Yours faithfully
For and on behalf of
Messis Capital Limited
Erica Law
Director

CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中 國 金 控 投 資 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 875)

NOTICE IS HEREBY GIVEN THAT a Special General Meeting of China Finance Investment Holdings Limited (the "**Company**") will be held at Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, on 15 April 2020 at 4:00 p.m., to consider and, if thought fit, to pass with or without amendments, the following resolutions. Words and expressions that are not expressly defined in this notice of Special General Meeting shall bear the same meaning as that defined in the shareholder circular dated 20 March 2020 (the "**Circular**").

ORDINARY RESOLUTION

1. THE SUBSCRIPTION

"THAT:

(a) the Subscription Agreement (as amended by the Supplemental Agreement) and the consummation of transactions contemplated thereunder as more particularly described in the Circular and the terms and conditions set out in the Subscription Agreement (as amended by the Supplemental Agreement) be hereby approved, ratified and confirmed;

(b) conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares, the Directors be and are hereby granted the Specific Mandate to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement (as amended by the Supplemental Agreement); and

(c) any one Director be and is hereby authorized, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) as the such Director may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement (as amended by the Supplemental Agreement) or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

SPECIAL RESOLUTION

2. WHITEWASH WAIVER

"**THAT**:

(a) the Whitewash Waiver be and is hereby approved; and

(b) any one Director be and is hereby authorized, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreement as may be required, including under seal where applicable) as such Director considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

By order of the Board
China Finance Investment Holdings Limited
Lin Yuhao
Chairman

Hong Kong, 20 March 2020

Registered Office:
Victoria Place,
5th Floor, 31 Victoria Street,
Hamilton HM 10,
Bermuda

Principal Place of Business in Hong Kong:
Suite 1510, 15/F
Ocean Centre, Harbour City
5 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting (the "**Meeting**") may appoint in written form one or more proxies to attend and vote on his behalf. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Meeting if shareholders so wish.

5. The register of members of the Company will be closed from 8 April 2020 to 15 April 2020 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.

As at the date of this announcement, the board of directors of the Company comprises six directors, including two executive directors, namely, Ms. Diao Jing and Mr. Lin Yupa; one non-executive director, namely Mr. Lin Yuhao, and three independent non-executive directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.