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

If you have sold or transferred all your shares in Gemini Investments (Holdings) Limited, you should hand this circular and the accompanying proxy form at once to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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盛洋投資

Gemini Investments (Holdings) Limited

盛洋投資(控股)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 174)

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

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

A letter from the Board is set out on pages 6 to 17 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 18 and 19 of this circular. A letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 47 of this circular.

A notice convening the EGM to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on Tuesday, 19 May 2020 at 10:30 a.m. or any adjournment of such meeting is set out on pages 60 to 62 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attendees from the risk of infection:

- **compulsory body temperature checks**
- **recommended wearing of surgical face masks**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

28 April 2020

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Gemini Investments (Holdings) Limited (盛洋投資(控股)有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 174)
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	the fourth (4th) Business Day after the satisfaction of all the Conditions (or such other date as may be agreed by the Company and the Subscriber in writing), being the date on which Completion shall take place
“Conditions”	the conditions precedent to the Completion as set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Convertible Preference Shares”	as at the Latest Practicable Date, the 786,000,000 non-voting convertible preference shares issued by the Company to Grand Beauty on 23 December 2014, which are convertible into 393,000,000 Shares subject to the terms of such convertible preference shares (the number of the convertible preference shares in issue is subject to the Proposed Capital Reduction which had not yet been implemented as at the Latest Practicable Date)
“CPS Holder”	Grand Beauty, being the only holder of the Convertible Preference Shares as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on Tuesday, 19 May 2020 at 10:30 a.m., the notice of which is set out on pages 60 to 62 of this circular, or any adjournment of such meeting, for considering and, if thought fit, approving, among others, the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares)
“Fortune Joy”	Fortune Joy Ventures Limited (瑞喜創投有限公司), a company incorporated in the BVI with limited liability, which is 49% indirectly owned by Sino-Ocean Group
“GM Subscriptions”	the subscriptions by Hongkong Presstar Enterprise Co., Limited (香港栢星企業有限公司) and Trend Best Investment Limited (達佳投資有限公司) for, and the allotment and issue by the Company of, an aggregate of 90,278,000 new Shares, completion of which took place on 17 April 2020, and details of which are set out in the announcements of the Company dated 3 April 2020 and 17 April 2020

DEFINITIONS

“Grand Beauty”	Grand Beauty Management Limited (盛美管理有限公司), a company incorporated in the BVI and an indirect wholly-owned subsidiary of Sino-Ocean Group, the controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. LAW Tze Lun, Mr. LO Woon Bor, Henry and Ms. CHEN Yingshun
“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares)
“Independent Shareholders”	the Shareholders other than those who are required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares)
“Latest Practicable Date”	23 April 2020, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Proposed Capital Reduction”	the proposed reduction of capital of the Company involving the cancellation of 31,666,667 Convertible Preference Shares held by Grand Beauty which is subject to approval by the Shareholders at the annual general meeting of the Company to be held on 29 April 2020 (or any adjournment of such meeting), further details of which are set out in the announcement of the Company dated 28 February 2020 and the circular of the Company dated 18 March 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino-Ocean Group”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 3377)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Glory Class Ventures Limited (耀品創投有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Fortune Joy
“Subscription”	the subscription by the Subscriber for, and the allotment and issue by the Company of, the Subscription Shares subject to the conditions and upon the terms of the Subscription Agreement
“Subscription Agreement”	the agreement dated 3 April 2020 entered into between the Company and the Subscriber
“Subscription Price”	HK\$1.00 per Subscription Share

DEFINITIONS

“Subscription Shares”	90,278,000 new Shares to be allotted and issued by the Company to the Subscriber
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



盛洋投資

Gemini Investments (Holdings) Limited

盛洋投資(控股)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 174)

Executive Directors:

Mr. SUM Pui Ying (*Chief Executive Officer*)

Mr. LAI Kwok Hung, Alex

Non-executive Directors:

Mr. LI Ming (*Honorary Chairman*)

Mr. LI Hongbo

Mr. TANG Runjiang

Independent Non-executive Directors:

Mr. LAW Tze Lun

Mr. LO Woon Bor, Henry

Ms. CHEN Yingshun

Registered office and principal

place of business:

Room 3902, 39th Floor

Tower One, Lippo Centre

No. 89 Queensway

Hong Kong

28 April 2020

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The Company refers to its announcement dated 3 April 2020 in relation to, among other matters, the Subscription.

LETTER FROM THE BOARD

On 3 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 90,278,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreement and the transactions contemplated under it; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares); (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM.

THE SUBSCRIPTION AGREEMENT

Date: 3 April 2020

Issuer: the Company

Subscriber: the Subscriber

The Subscriber is an investment holding company incorporated in the BVI and is an indirect wholly-owned subsidiary of Fortune Joy, which is, in turn, 49% indirectly owned by Sino-Ocean Group. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, each of the remaining shareholders of Fortune Joy (i) owned less than 30% interest in Fortune Joy; and (ii) was ultimately owned by third parties independent of the Company and its connected persons.

The ordinary shares of Sino-Ocean Group are listed on the Main Board of the Stock Exchange (stock code: 3377). Sino-Ocean Group and its subsidiaries are principally engaged in investment holding, property development and property investment in the People's Republic of China. Grand Beauty, the controlling shareholder of the Company, is an indirect wholly-owned subsidiary of Sino-Ocean Group. The Subscriber is an associate of Sino-Ocean Group and each of Sino-Ocean Group and the Subscriber is a connected person of the Company under the Listing Rules. As such, the Subscription constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Pursuant to the terms of the Subscription Agreement, the Subscriber will subscribe for 90,278,000 Subscription Shares at the Subscription Price.

Nominee

The Subscriber shall be entitled to nominate one of its wholly-owned subsidiaries to take up its Subscription Shares upon Completion provided that prior written notice of nomination shall be given to the Company.

Subscription Shares

The Subscriber will subscribe for 90,278,000 Subscription Shares, representing (i) approximately 16.67% of the existing number of the issued Shares as at the Latest Practicable Date; and (ii) approximately 14.29% of the number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change to the number of the issued Shares between the Latest Practicable Date and the Completion Date).

The Subscription Shares have no nominal value. The market value of the Subscription Shares was approximately HK\$46.9 million, based on the closing price of HK\$0.520 per Share on the Latest Practicable Date.

Subscription Price

The Subscription Price is HK\$1.00 per Subscription Share. The Subscription Price represented:

- (i) a premium of approximately 81.8% to the closing price of HK\$0.550 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 98.0% to the average closing price of approximately HK\$0.505 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a premium of approximately 92.3% to the closing price of HK\$0.520 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber, with reference to the prevailing market price, the historical price trend and liquidity of the Shares, the current capital market conditions, and the existing financial position and operation prospects of the Group's business. When determining the Subscription Price, the Board noted that the prices of the Shares were trading substantially below the net asset value per Share in recent years. For any forms of equity fundraising exercises, it would be natural and inevitable to determine the subscription price with reference to the prevailing market share price, which is a common pricing basis for equity financing. Despite the Subscription Price being lower than the net asset value per Share, it represents substantial premiums over the prevailing market prices of the Shares in the past six months. Given such premium over the historical prices of the Shares, the thin trading volume of the Shares, the net loss of the Group for the year ended 31 December 2019, and the current uncertainties in the capital market arising from the coronavirus pandemic, the Board is of the view that the Subscription price is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole. The Subscription Price is also equal to the subscription prices agreed between the Company and the other two independent third party subscribers under the GM Subscriptions.

The aggregate Subscription Price shall be payable by the Subscriber in cash upon Completion.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of issue of the Subscription Shares.

Conditions precedent to the Subscription

Completion of the Subscription under the Subscription Agreement is conditional upon:

- (a) the passing of resolution(s) by the Independent Shareholders at the EGM approving the Subscription Agreement and the allotment and issue of the Subscription Shares by the Company under the Specific Mandate, and the Specific Mandate not having been revoked as at the Completion Date;
- (b) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or withdrawn;

LETTER FROM THE BOARD

- (c) if applicable, all approvals, authorisations, consents or permissions that are required of the Company and/or the Subscriber for the transactions contemplated under the Subscription Agreement having been obtained, and all such approvals, authorisations, consents and permissions not having been revoked or withdrawn;
- (d) the compliance with the applicable requirements under the Listing Rules, the Companies Ordinance, the Takeovers Code and the SFO by each of the Company and, if applicable, the Subscriber; and
- (e) the representations, warranties and undertakings provided by the Subscriber remaining true and accurate in all respects and not misleading in any respect as at Completion.

Each of the parties to the Subscription Agreement shall use its best endeavours to procure the satisfaction of the Conditions as regards itself. The Company may, at its discretion and upon such terms as it thinks fit, waive the compliance with the whole or any part of Condition (e). Conditions (a), (b), (c) and (d) are not capable of being waived by the parties.

If the Conditions have not been satisfied (or, if applicable, waived) at or before 4:00 p.m. on 30 September 2020, the Subscription Agreement shall cease and terminate (save and except for provisions in relation to confidentiality, notices, governing law and other general provisions which shall continue to have full force and effect) save for any antecedent breach by any party.

Lock-up

During the period of 270 days from the Completion Date (the “**Lock-up Period**”), save with the prior written consent of the Company, the Subscriber (or, where applicable, its nominee) shall remain as the sole beneficial owner, free from all encumbrances and third party rights, of the Subscription Shares. At any time during the Lock-up Period, the Subscriber shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, the Subscription Shares.

Completion

Completion of the Subscription will take place on the Completion Date.

LETTER FROM THE BOARD

Specific Mandate

The Subscription Shares will be issued under the Specific Mandate to be proposed for voting by the Independent Shareholders at the EGM.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the GM Subscriptions, details of which are disclosed below, the Company had not raised any funds by issuing equity securities during the 12 months immediately before the Latest Practicable Date.

Date of initial announcement	Equity fundraising activity	Net proceeds raised and intended use of net proceeds	Actual use of proceeds
3 April 2020	Issue of 90,278,000 Shares under general mandate	Approximately HK\$89.6 million which was intended to be used for capturing any upcoming good investment opportunities and as general working capital of the Company	The entire proceeds was not yet utilised and was still kept for the intended use

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SUBSCRIPTION

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion (assuming there is no change in the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares); and (iii) immediately after the Completion and upon full conversion of the Convertible Preference Shares (assuming there is no change in the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares and the Convertible Preference Shares are fully converted prior to Completion):

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the Completion (assuming there is no change in the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares)		(iii) Immediately after the Completion and upon full conversion of the Convertible Preference Shares (assuming there is no change in the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares and the Convertible Preference Shares are fully converted prior to Completion) (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Grand Beauty (Note 1)	312,504,625	57.69	312,504,625	49.45	705,504,625	68.83
The Subscriber (Note 2)	—	—	90,278,000	14.29	90,278,000	8.81
Other public Shareholders	229,163,375	42.31	229,163,375	36.26	229,163,375	22.36
Total	541,668,000	100.00	631,946,000	100.00	1,024,946,000	100.00

Notes:

- The 312,504,625 Shares are beneficially owned by Grand Beauty, an indirect wholly-owned subsidiary of Sino-Ocean Group. Grand Beauty is also the CPS Holder.
- The Subscriber is an indirect wholly-owned subsidiary of Fortune Joy, which is, in turn, 49% indirectly owned by Sino-Ocean Group, the controlling shareholder of the Company through its 100% interest in Grand Beauty.

LETTER FROM THE BOARD

3. The above calculation only illustrates the maximum potential impact on the shareholding structure of the Company arising from a full conversion of the Convertible Preference Shares. Based on the current shareholding structure of the Company, a full conversion of the Convertible Preference Shares is currently not permissible under the terms of the Convertible Preference Shares which contain, among others, a restriction on conversion of the Convertible Preference Shares if such conversion will (i) result in the public float of the Shares falling below the minimum public float requirements stipulated under the Listing Rules; or (ii) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of Grand Beauty and parties acting in concert with it in relation to the securities of the Company. The number of the Convertible Preference Shares in issue is subject to the Proposed Capital Reduction which had not yet been implemented as at the Latest Practicable Date.
4. The above calculations were based on percentages rounded up to the nearest 2 decimal places. As such, the rounding difference may cause a slight change in the actual shareholding.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in investment in fund platform, property investment and development, fund investments, and securities investment business.

Reference is made to the announcement of the Company dated 3 April 2020 in relation to the Subscription and the GM Subscriptions.

The GM Subscriptions were and the Subscription is being conducted for the Company to raise capital while broadening its shareholder base and capital base. As stated in the annual results announcement of the Company for the year ended 31 December 2019 dated 28 February 2020 and its 2019 annual report, even though the Company maintains a healthy financial position, given the current uncertainties relating to the global economy, the Board has decided to adopt a prudent approach to strengthen the Group's financial position. The Board also noted that the trading liquidity of the Company's Shares is relatively thin for a meaningful size of shares to be transacted in the market. The GM Subscriptions and the Subscription would allow the Company to increase its financial resources. The issue of the public announcements of the Subscription and the GM Subscriptions, and their successful completions despite the unfavourable market situation, are expected to enhance the Company's publicity and image to its Shareholders, potential investors and the wider investment public. The Board considers the above to be in line with the interests of the Company and its Shareholders as a whole.

The Directors consider that taking into account the recent market conditions, raising funds by way of allotment and issue of the Subscription Shares would enable the Company to obtain funds with lower costs, as compared to a rights issue or an open offer. The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board has considered that debt financing may incur financial costs on

LETTER FROM THE BOARD

the Group. In particular, as set out in the Company's 2019 annual report, the effective interest rate of the Group's borrowings increased to 4.39% as at 31 December 2019, as compared to 3.72% as at 31 December 2018. If debt financing exercise is to be conducted, the additional finance costs would further worsen the operating performance of the Group in the near future. Rights issues or open offers will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time of approximately two to four months, as opposed to approximately one to two months under a subscription pursuant to a specific mandate, and involve higher transaction related costs and administrative expenses (such as those related to the trading of nil-paid rights and possible commission and underwriting fees) as compared to the equity financing by way of allotment and issue of new Shares under the Specific Mandate. More importantly, given the current market turmoil resulting from the coronavirus pandemic, the Board considers the proposed equity fundraising to be time sensitive and that completion risk is a major consideration. Compared to rights issues or open offers, the success of which is highly dependent on securing an underwriter or the level of subsequent acceptance by the Shareholders which is not within the control of the management, the Company has now secured the required financing under the legally-binding Subscription Agreement, which the Board considers to be a more prudent approach to fundraising in view of the current market situation.

As illustrated under the paragraph headed "Effect on the shareholding structure of the Company following the Completion of the Subscription" in this letter from the Board, the Company is expected to maintain a sufficient amount of public float of at least 25% of the total number of the issued Shares after the Completion. The Company will ensure sufficient public float of the Shares following the Completion as required under the Listing Rules.

The gross proceeds of the Subscription will be approximately HK\$90.3 million. The net proceeds of the Subscription, after the deduction of related fees and expenses, will be approximately HK\$89.6 million. The net price per Subscription Share is approximately HK\$0.993.

The aggregate gross proceeds of the Subscription and the GM Subscriptions would be approximately HK\$180.6 million and the aggregate net proceeds of the Subscription and the GM Subscriptions, after the deduction of related fees and expenses, would be approximately HK\$179.3 million.

The Company intends to apply the net proceeds from the GM Subscriptions and the Subscription to capture any upcoming good investment opportunities and as general working capital of the Company amid the stock market is suffering from dizzying plunge, sparked by the fast-spreading of the coronavirus pandemic, which seems to be heralding

LETTER FROM THE BOARD

a global downturn. Subject to the future outcome of the impact of the coronavirus pandemic, the Group intends to apply the proceeds in line with its stated business strategy of capturing sound business opportunities in the United States of America. A number of property investment opportunities located in, among others, the States of California and New York, are being closely evaluated with site visits conducted and detailed project information being assessed, and investment decisions are expected to be reached within the next 12 months. Based on the investment opportunities currently available, the Company intends to use around US\$10 million to US\$12 million (equivalent to approximately HK\$78.0 million to HK\$93.6 million), representing approximately 43% to 52% of the aggregate net proceeds from the GM Subscriptions and the Subscription, for the investment in a real estate related project in the Metropolitan Area of the State of New York within the next 12 months, and the remaining balance of the net proceeds as general working capital of the Company. Subject to the emerging opportunities, the Company will consider applying the remaining balance of the net proceeds and other available cash resources of the Company for other good real estate investments in the United States of America, if the investments would be in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) is of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

EGM

The EGM will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on Tuesday, 19 May 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated under it by the Independent Shareholders, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber. A notice convening the EGM is set out on pages 60 to 62 of this circular.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for (i) Grand Beauty and its associates, which held 312,504,625 Shares as at the Latest Practicable Date, representing approximately 57.69% of the Shares; and (ii) Mr. WANG Honghui, a director of the Subscriber and an executive Director of Sino-Ocean Group, who held 132,000 Shares as at the Latest Practicable Date, representing approximately 0.02% of the Shares, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than Grand Beauty and its associates and Mr. WANG Honghui shall abstain from voting on the resolution(s) for approving the Subscription to be proposed at the EGM.

LETTER FROM THE BOARD

As Mr. LI Ming (honorary chairman and non-executive Director) is a director and a shareholder of Sino-Ocean Group, and each of Mr. SUM Pui Ying (executive Director and chief executive officer of the Company) and Mr. LI Hongbo (non-executive Director) is a shareholder of Sino-Ocean Group, they were considered to have a potential material conflict of interests in the Subscription, the Subscription Agreement and the transactions contemplated under it, and therefore were required to abstain from voting at the Board meeting which approved the same. Save as aforesaid, none of the other Directors had a material interest in the Subscription, the Subscription Agreement and the transactions contemplated under it, and none of them was required to abstain from voting on the relevant Board resolutions approving the same.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares). First Shanghai Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting (as the case may be) should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedural or administrative matter to be voted by a show of hands, any vote of Shareholders at general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for the resolution(s) put to the vote of the EGM in accordance with the Articles of Association. An explanation of the procedures of conducting a poll is provided in the notes to the notice of the EGM and details will be conveyed to the Shareholders at the EGM. The results of the poll shall be deemed to be the resolution of the general meeting in which the poll was demanded or required and the poll results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.geminiinvestments.com.hk) after the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 14 May 2020 to Tuesday, 19 May 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 13 May 2020.

The record date for such purposes is Tuesday, 19 May 2020.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee on pages 18 to 19 of this circular after taking into account the advice of the Independent Financial Adviser) consider that the connected transaction in relation to the Subscription is not conducted in the ordinary and usual course of business of the Group on the basis that it shall be regarded as a corporate financing activity, instead of a usual operating activity, of the Group; but the terms of the Subscription Agreement (including the Subscription Price) and the transactions contemplated under it are fair and reasonable, on normal commercial terms, and are 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 ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages 20 to 47 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

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

By Order of the Board
Gemini Investments (Holdings) Limited
LAI Kwok Hung, Alex
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated under it.



盛洋投資

Gemini Investments (Holdings) Limited

盛洋投資(控股)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 174)

28 April 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 28 April 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Subscription Agreement and the transactions contemplated under it, to advise you as to whether the Subscription Agreement was entered into in the ordinary and usual course of business of the Group and whether the Subscription Agreement and the transactions contemplated under it are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares). First Shanghai Capital Limited has been appointed as the independent financial adviser to advise us and you in this regard.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to (i) the letter from the Board set out on pages 6 to 17 of the Circular; (ii) the letter from the Independent Financial Adviser set out on pages 20 to 47 of the Circular which contains its advice to us and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares); and (iii) the additional information set out in the appendix to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the recommendation of, the Independent Financial Adviser as stated in its letter of advice, notwithstanding that the connected transaction involving the Subscription pursuant to the Subscription Agreement and the transactions contemplated under it are not conducted in the ordinary and usual course of business of the Group on the basis that it shall be regarded as a corporate financing activity, instead of a usual operating activity, of the Group, we consider that the terms of the Subscription Agreement and the transactions contemplated under it are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

Yours faithfully,

Independent Board Committee

Mr. LAW Tze Lun

Mr. LO Woon Bor, Henry

Ms. CHEN Yingshun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction in relation to the Subscription pursuant to the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares) prepared for the purpose of inclusion in this circular.



19th Floor
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

28 April 2020

*To the Independent Board Committee and
the Independent Shareholders*

Gemini Investments (Holdings) Limited
Room 3902, 39th Floor
Tower One, Lippo Centre
No. 89 Queensway
Admiralty
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription pursuant to the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares), details of which are contained in the circular to the Shareholders dated 28 April 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 3 April 2020, the Company entered into two subscription agreements (the “**GM Subscription Agreements**”) with the two Independent Third Party subscribers (the “**GM Subscribers**”), pursuant to which the two GM Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 90,278,000 subscription shares (each of the two GM Subscribers would subscribe for 45,139,000 subscription shares) at the subscription price of HK\$1.00 per subscription share.

The subscription shares under the two GM Subscriptions (the “**GM Subscription Shares**”) represent (i) 20% of the existing number of the then issued Shares as at the date of the GM Subscription Agreements; (ii) approximately 16.67% of the existing number of the issued Shares as at the Latest Practicable Date; and (iii) approximately 14.29% of the number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change to the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares).

Further on 3 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 90,278,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share.

The Subscriber will subscribe for 90,278,000 Subscription Shares, representing (i) approximately 16.67% of the existing number of the issued Shares as at the Latest Practicable Date; and (ii) approximately 14.29% of the number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change to the number of the issued Shares between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares).

The GM Subscription Shares had been issued to the GM Subscribers under a general mandate of the Company on 17 April 2020 whilst and the Subscription Shares will be issued to the Subscriber under the Specific Mandate; and the GM Subscription Shares and the Subscription Shares will rank *pari passu* in all respects among themselves and with the existing Shares in issue on their respective dates of allotment and issue of such Shares.

Completion of each of the two GM Subscriptions and the Subscription is not inter-conditional. Completion of the GM Subscription Agreements had already taken place on 17 April 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber is an investment holding company incorporated in the BVI and is an indirect wholly-owned subsidiary of Fortune Joy, which is, in turn, 49% indirectly owned by Sino-Ocean Group. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, each of the remaining shareholders of Fortune Joy (i) owned less than 30% interest in Fortune Joy; and (ii) was ultimately owned by third parties independent of the Company and its connected persons (the "**Independent Third Party(ies)**").

The ordinary shares of Sino-Ocean Group are listed on the Main Board of the Stock Exchange (stock code: 3377). Sino-Ocean Group and its subsidiaries are principally engaged in investment holding, property development and property investment in the People's Republic of China. Grand Beauty, the controlling shareholder of the Company, is an indirect wholly-owned subsidiary of Sino-Ocean Group. The Subscriber is an associate of Sino-Ocean Group and each of Sino-Ocean Group and the Subscriber is a connected person of the Company under the Listing Rules. As such, the Subscription constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The EGM is going to obtain the Independent Shareholders' approval for the Subscription Agreement and the transactions contemplated under it, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for (i) Grand Beauty and its associates, which held 312,504,625 Shares as at the Latest Practicable Date, representing approximately 57.69% of the issued Shares; and (ii) Mr. WANG Honghui, a director of the Subscriber and an executive Director of Sino-Ocean Group, who held 132,000 Shares as at the Latest Practicable Date, representing approximately 0.02% of the issued Shares, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than Grand Beauty and its associates and Mr. WANG Honghui shall abstain from voting on the resolution(s) for approving the Subscription to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. LAW Tze Lun, Mr. LO Woon Bor, Henry and Ms. CHEN Yingshun, has been established to advise the Independent Shareholders as to (i) whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) give a recommendation to the Independent Shareholders in respect of the voting on the ordinary resolution(s) to be proposed at the EGM.

OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for one occasion (i.e. mainly in relation to the provision of independent financial advice to the Company and its share option holders in respect of whether the variation of the terms of Convertible Preference Shares would trigger an adjusting event for its outstanding share options at that time) as detailed in the comfort letter dated 8 May 2018. Given (i) our independent role in that previous engagement; (ii) none of the members of our parent group is a direct party to the Subscription Agreement; and (iii) our fees for this present engagement in addition to that previous engagement represented an insignificant percentage of revenue of our parent group, we consider that the said previous engagement in May 2018 would never affect our independence to form our opinion in respect of the entering into of the Subscription Agreement, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (the “**Management**”). We have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management, for which they are solely responsible for, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular while the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations while the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, Grand Beauty, Sino-Ocean Group and the Subscriber.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Group

The Company is an investment holding company. The Group is principally engaged in investment in fund platform, property investment and development, fund investments and securities investment business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Financial information on the Group

Overview

The Group's scale of operation has been limited in terms of revenue/ turnover, while its operating results had been fluctuating very largely over the past seven financial years ended 31 December (the "FY(s)") 2013 to 2019 between a huge loss of approximately HK\$1,135.2 million for the FY 2015 mainly due to the share of results of joint ventures amounted to approximately HK\$988.3 million, and a net profit of HK\$39.2 million for the FY 2013. The Group's operation has been heavily relying on its controlling Shareholder's continuing financial support in recent years instead of operating cash inflow from its ordinary and usual course of business operation. Despite of the Group's persistent loss-making performance, the Group had relatively healthy working capital and gearing positions in the recent year end dates up to 31 December 2019.

Review of operating performance

Set out below is a summary of the audited consolidated financial information of the Group for the two FYs 2018 and 2019 as extracted from the annual report of the Company for the FY 2019 (the "Annual Report"):

	For the FY	
	2018	2019
	(Audited)	(Audited)
	HK\$'000	HK\$'000
Revenue	189,815	115,499
Profit/ (loss) before income tax	43,397	(52,648)
Profit/ (loss) for the year	30,733	(51,961)
Profit/ (loss) attributable to owners of the Company	12,229	(94,713)

For the FY 2019 versus FY 2018

As disclosed in the Annual Report, during the FY 2019, the Group recorded revenue of approximately HK\$115.5 million (FY 2018: approximately HK\$189.8 million). The decrease in revenue by approximately HK\$74.3 million was mainly due to there being no dividend income derived from the Group's fund investments during the FY 2019 as a result of conservative dividend policy of its fund investments in the FY 2019 as compared to that of the FY 2018 (FY 2018: dividend income from fund investments of approximately HK\$84.7 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although there was an increase in rental revenue of approximately 22% during the FY 2019, which was principally contributed by the full-year rental revenue from an equity investment acquired by the Group in the first half of the FY 2018 which owns a premier office campus in the heart of San Francisco Peninsula, California, the United States of America, such increase in rental revenue has been more than off-set by the above decrease in dividend income.

During the FY 2019, the Group recorded a loss attributable to its owners of approximately HK\$94.7 million (FY 2018: a profit attributable to owners of the Company of approximately HK\$12.2 million).

Review of financial and cash flow position

Set out below is the summary of the consolidated financial position of the Group as at 31 December 2018 and 2019 as extracted from the Annual Report:

	As at 31 December	
	2018	2019
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	5,038,856	4,666,111
Current assets	1,530,608	2,336,808
Total assets	6,569,464	7,002,919
Non-current liabilities	(446,756)	(454,437)
Current liabilities	(316,843)	(801,635)
Total liabilities	(763,599)	(1,256,072)
Total equity	5,805,865	5,746,847
Equity attributable to the owners of the Company (also known as net asset value of the Group)	5,529,034	5,446,083
Cash and bank balances	816,569	975,181
Net current assets	1,213,765	1,535,173
Current ratio	4.8 times	2.9 times
Gearing ratio (i.e. being calculated as the aggregate borrowings to be divided by the net asset value of the Group)	7.7%	12.3%
Net gearing ratio (i.e. being calculated as the aggregate borrowings, net of cash and bank balances, to be divided by the net asset value of the Group)	Nil	Nil

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the FY	
	2018	2019
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows generated from/ (used in)		
operating activities	65,005	(337,280)
Net cash flows from investing activities	161,325	34,548
Net cash flows (used in)/ generated from		
financing activities	(874,233)	463,465

As at 31 December 2019 versus 31 December 2018

As at 31 December 2019, the Group had current assets of approximately HK\$2,336.8 million (2018: approximately HK\$1,530.6 million), and current liabilities of approximately HK\$801.6 million (2018: approximately HK\$316.8 million), representing net current assets and current ratio of approximately HK\$1,535.2 million (2018: approximately HK\$1,213.8 million) and 2.9 times (2018: approximately 4.8 times), respectively. The Group's current ratio was well above 1.0 times as at 31 December 2018 and 2019, indicating that the Group's liquidity was relatively healthy. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$975.2 million (2018: approximately HK\$816.6 million).

The Group's total borrowings amounted to approximately HK\$672.6 million as at 31 December 2019 (2018: approximately HK\$425.6 million) comprised bank loans of approximately HK\$664.3 million (2018: approximately HK\$425.3 million), lease liabilities of approximately HK\$8.3 million (2018: nil) and obligation under finance lease of nil (2018: approximately HK\$0.3 million).

The principal amount of the Group's total bank borrowings increased from approximately HK\$425.3 million (comprising a bank borrowing of US\$54.3 million bearing at fixed interest rate of approximately 3.72% per annum and repayable in 2028) as at 31 December 2018 to approximately HK\$664.3 million as at 31 December 2019, mainly due to loan drawdown from a bank facility of US\$65.0 million bearing at floating interest rate with average of approximately 4.77% per annum during the FY 2019 and being repayable in the FY 2020 (loan drawn-down from such facility was first made in February 2019, and a principal of US\$31.0 million (equivalent to approximately HK\$241.4 million) has been drawn from such facility as at 31 December 2019). Such loan drawdown was made to finance the development project located in New York City which was acquired by the Group in the FY 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's net gearing ratio is calculated based on total borrowings less cash resources divided by total shareholders' equity. As at 31 December 2019, the Group's total cash resources (including bank balances and cash and short-term bank deposits) amounted to approximately HK\$975.2 million (2018: approximately HK\$816.6 million), which was sufficient to pay off its all bank borrowings with a principal amount of approximately HK\$664.3 million (2018: approximately HK\$425.3 million). Therefore, the Group did not have any gearing on a net debt basis as at 31 December 2018 and 2019.

Given the Group's adaptable financial management policy amid the continued strong financial support from Sino-Ocean Group, being its ultimate controlling shareholder, the Group is confident about sustaining its financial liquidity to support its business expansion and maintaining overall financial healthiness in the coming years.

As mentioned in the Annual Report, even though the Company has maintained a healthy financial position, given the current uncertainties relating to the global economy, the Board decided to adopt a prudent approach to strengthen its financial position. The Board also noted that the trading liquidity of the Shares has been relatively thin for a meaningful size of shares to be transacted in the market. Given the above observations, the Board has been considering various means to increase the financial resources available to the Group, and to enhance its publicity in the market, which is in line with the interests of the Company and the Shareholders as a whole.

Conclusion

Having considered that (i) the Group has been incurring relatively larger net losses for at least five FYs, other than a net profit of HK\$12.2 million recorded in the FY 2018; (ii) the Group's business operation has been heavily relying on its controlling Shareholder's continuing financial support in recent years instead of operating cash inflow from its ordinary and usual course of business operations; (iii) the Group had net current assets and healthy current ratios as at 31 December 2018 and 2019; and (iv) the Group did not have gearing positions on net-debt basis in the recent years because it had sufficient cash resources to pay off all its interest-bearing bank borrowings over the past two FYs 2018 and 2019, but its overall financial positions had slightly deteriorated between the two FYs 2018 and 2019. Based on such scenario, we consider that the Group's business operations have not yet been stable and promising, and therefore it is justifiable for the Group to implement equity fund-raising exercises to obtain additional cash resources for solidifying its

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

working capital and financial position and, where appropriate, financing its business expansion, in particular in the current very volatile global financial markets and adverse economic environment.

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

As mentioned in the “Letter from the Board” of the Circular (the “**Board Letter**”), the Subscription in addition to the two GM Subscriptions are being conducted for the Company to raise capital while broadening its shareholder base and capital base. Based on our analysis of trading volume of the Shares during the Review Period (as defined below), there were only 8,481,625 Shares transacted for the whole Review Period, which accounted for merely 0.0075% of the total number of the issued Shares throughout the Review Period. The Subscription and the two GM Subscriptions will bring in at least three new Shareholders to the Company with 180,556,000 new Shares to the market, which would account for approximately 21.3 times of the total trading volume of 8,481,625 Shares throughout the Review Period. Upon expiry of the Lock-up Period, such a large number of Subscription Shares will be free to be sold to many more public investors/ shareholders, and could activate trading activities of the Shares in the open market, which would in turn broaden the shareholder base.

As stated in the Annual Report, even though the Company maintains a healthy financial position, given the current uncertainties relating to the global economy, the Board has decided to adopt a prudent approach to strengthen the Group’s financial position. The Board also noted that the trading liquidity of the Shares is relatively thin for a meaningful size of shares to be transacted in the market. The GM Subscriptions and the Subscription will allow the Company to increase its financial resources. The issue of the public announcements of the GM Subscriptions and the Subscription, and their successful completions despite of the unfavourable market situation, are expected to enhance the Company’s publicity and image to the Shareholders, its potential investors and the wider investment public. The Board considered the above to be in line with the interests of the Company and its Shareholders as a whole.

The Directors consider that taking into account the recent market conditions, raising funds by way of allotment and issue of the Subscription Shares would enable the Company to obtain funds with lower costs, as compared to a rights issue or an open offer. The Board has considered other alternative fund-raising methods such as debt financing, rights issue or open offer. The Board has considered that debt financing may incur financial costs on the Group. In particular, as set out in the Annual Report, the effective interest rate of the Group’s borrowings increased to 4.39% as at 31 December 2019, as compared to 3.72% as at 31 December 2018. If debt financing exercise is to be conducted, the additional

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

finance costs would further worsen the operating performance of the Group in the near future. Based on our independent review of the Annual Report, the Group had incurred finance costs on bank borrowings of approximately HK\$31.6 million and HK\$17.2 million for each of the two FYs of 2018 and 2019, respectively, which had considerably affected its profitability therefor. Rights issues or open offers will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time of approximately two to four months, as opposed to approximately one to two months under a subscription pursuant to a specific mandate, and involve higher transaction related costs and administrative expenses (such as those related to the trading of nil-paid rights and possible commission and underwriting fees) as compared to the equity financing by way of allotment and issue of new Shares under the Specific Mandate. More importantly, given the current market turmoil resulting from the coronavirus pandemic, the Board considers the proposed equity fund-raising to be time sensitive and that completion risk is a major consideration. Compared to rights issues or open offers, the success of which is highly dependent on securing an underwriter or the level of subsequent acceptance by the Shareholders which is not within the control of the Management, the Company has now secured the required financing under the legally-binding Subscription Agreement, which the Board considers to be a more prudent approach to fund-raising in view of the current market situation. We concur with the Directors' view in this regard.

Following the Completion, the Company is expected to maintain a sufficient amount of public float of at least 25% of the total number of the issued Shares after the Completion. The Company will ensure sufficient public float of the Shares following the Completion as required under the Listing Rules.

The aggregate gross proceeds of the Subscription will be approximately HK\$90.3 million, while the net proceeds thereof, after the deduction of related fees and expenses, will be approximately HK\$89.6 million. The net price per Subscription Share is approximately HK\$0.993.

The aggregate gross proceeds of the Subscription and the GM Subscriptions would be approximately HK\$180.6 million and the aggregate net proceeds of the Subscription and the GM Subscriptions, after the deduction of related fees and expenses, would be approximately HK\$179.3 million.

The Company intends to apply the net proceeds from the GM Subscriptions and the Subscription to capture any upcoming good investment opportunities and as general working capital of the Company amid the stock market is suffering from dizzying plunge, sparked by the fast-spreading of the coronavirus pandemic, which seems to be heralding a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

global downturn. Subject to the future outcome of the impact of the coronavirus pandemic, the Group intends to apply the net proceeds therefrom in line with its stated business strategy of capturing sound business opportunities in the United States of America. A number of property investment opportunities located in, among others, the States of California and New York, are being closely evaluated with site visits conducted and detailed project information being assessed, and investment decisions are expected to be reached within the next 12 months. Please refer to the Board Letter for further details of the Company's use of proceeds from the GM Subscriptions and the Subscription.

Given the above, the Board is of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Having (i) considered the above reasons behind for conducting the Subscription to raise additional equity-funding for capturing any upcoming good investment opportunities and as general working capital of the Group; (ii) considered the Subscription is more cost-effective and time saving as compared with other forms of equity financing; and (iii) noted that the Subscription Price offered to the Subscriber (who is a connected person of the Company) is exactly the same as that offered to the two GM Subscribers (who are Independent Third Parties), we are of the view that the Subscription is not conducted in the ordinary and usual course of business of the Group, as it shall be regarded as corporate financing activity instead of its usual operating activity; but the terms of the Subscription Agreement are on normal commercial terms as the either party thereto is treated fairly and equitably irrespective of whether they are Independent Third Parties or connected person of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. Background of the Subscriber and rationale behind for the Subscription

The Subscriber is an investment holding company incorporated in the BVI and is an indirect wholly-owned subsidiary of Fortune Joy, which is, in turn, 49% indirectly owned by Sino-Ocean Group. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, each of the remaining shareholders of Fortune Joy (i) owned less than 30% interest in Fortune Joy; and (ii) was ultimately owned by Independent Third Parties.

The ordinary shares of Sino-Ocean Group are listed on the Main Board of the Stock Exchange (stock code: 3377). Sino-Ocean Group and its subsidiaries are principally engaged in investment holding, property development and property investment in the People's Republic of China. Grand Beauty, the controlling shareholder of the Company, is

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an indirect wholly-owned subsidiary of Sino-Ocean Group. The Subscriber is an associate of Sino-Ocean Group and each of Sino-Ocean Group and the Subscriber is a connected person of the Company under the Listing Rules.

Given the Subscriber is an associate owned as to 49% by the controlling shareholder of the Company (i.e. Grand Beauty), the Subscription itself allows Sino-Ocean Group to top-up its existing shareholding in the Company after the completion of the GM Subscriptions. Should the Subscription not be implemented following the completion of the GM Subscriptions, Sino-Ocean Group's shareholding in the Company would fall to approximately 57.69% of the enlarged issued share capital of the Company, representing a considerable dilution in its existing shareholding therein by approximately 11.54 percentage points. To avoid material dilution of existing shareholding in the Company and to bring in additional proceeds for the Company, it is commercially justifiable for Sino-Ocean Group to subscribe for a certain number (i.e. 90,278,000 new Shares being exactly the same as those subscribed by the GM Subscribers) of new Shares at the fair, equitable and comparable terms to the GM Subscribers which are Independent Third Parties, without offering any privileged treatments, benefits and/or advantages to the Subscriber, we consider the Subscription to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Principal terms and conditions of the Subscription Agreement

The Subscription Agreement

On 3 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 90,278,000 Subscription Shares at the Subscription Price of HK\$1.00 per Subscription Share.

The Subscription Shares

The Subscriber will subscribe for 90,278,000 Subscription Shares, representing (i) approximately 16.67% of the existing number of the issued Shares as at the Latest Practicable Date; and (ii) approximately 14.29% of the number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change to the number of the issued Shares between the Latest Practicable Date and the Completion Date).

The Subscription Shares have no nominal value. The market value of the Subscription Shares was approximately HK\$49.65 million, based on the closing price of HK\$0.550 per Share on the date of entering into the Subscription Agreement.

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Ranking of the Subscription Shares

The Subscription Shares, when fully paid and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Lock-up undertakings

During the period of 270 days from the Completion Date (the “**Lock-up Period**”), save with the prior written consent of the Company, each of the Subscriber and the two GM Subscribers (or, where applicable, its nominee) shall remain as the sole beneficial owner, free from all encumbrances and third party rights, of its Subscription Shares. At any time during the Lock-up Period, the Subscriber shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, its Subscription Shares.

We consider that the aforesaid lock-up undertakings, applicable to both the Subscriber and GM Subscribers, could lessen the probable selling pressure in the market during the lock-up period that might be caused by either the Subscription Shares or the GM Subscription Shares, which we consider to be fair and equitable among themselves irrespective of whether they are Independent Third Parties or connected person of the Company, and would better maintain the Share price level during the lock-up period, which accordingly, are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Subscription

Completion of the Subscription under the Subscription Agreement is conditional upon:

- (a) the passing of resolution(s) by the Independent Shareholders at the EGM approving the Subscription Agreement and the allotment and issue of the Subscription Shares by the Company under the Specific Mandate, and the Specific Mandate not having been revoked as at the Completion Date of the Subscription;
- (b) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or withdrawn;

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- (c) if applicable, all approvals, authorisations, consents or permissions that are required of the Company and/or the Subscriber for the transactions contemplated under the Subscription Agreement having been obtained, and all such approvals, authorisations, consents and permissions not having been revoked or withdrawn;
- (d) the compliance with the applicable requirements under the Listing Rules, the Companies Ordinance, the Takeovers Code and the SFO by each of the Company and, if applicable, the Subscriber; and
- (e) the representations, warranties and undertakings provided by the Subscriber remaining true and accurate in all respects and not misleading in any respect as at Completion of the Subscription.

Each of the parties to the Subscription Agreement shall use its best endeavours to procure the satisfaction of the Conditions as regards itself. The Company may, at its discretion and upon such terms as it thinks fit, waive the compliance with the whole or any part of Condition (e). Conditions (a), (b), (c) and (d) are not capable of being waived by the relevant parties.

If the Conditions have not been satisfied (or, if applicable, waived) at or before 4:00 p.m. on 30 September 2020, the Subscription Agreement shall cease and terminate (save and except for provisions in relation to confidentiality, notices, governing law and other general provisions which shall continue to have full force and effect) save for any antecedent breach by any party.

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

We consider that the conditions precedent to the Subscription are not unusual in all material respects.

Completion

Completion of the Subscription will take place on the Completion Date. The allotment and issue of the Subscription is subject to the Independent Shareholders' approval.

Completion of each of the GM Subscriptions and the Subscription is not inter-conditional. Completion of the GM Subscriptions had already taken place on 17 April 2020.

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The Specific Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the Specific Mandate to be proposed for voting by the Independent Shareholders at the EGM.

The Subscription Price

To assess the fairness and reasonableness of the Subscription Price at HK\$1.00 per Subscription Share, we set out the following analyses for illustrative purpose:

	Price/value per Share approximately HK\$	Premium/ (discount) over/to at approximately %
(i) The closing price as quoted on the Stock Exchange on 2 April 2020 which was the last trading day prior to the Company's announcement dated 3 April 2020 in respect of, among others, the Subscription (the " Last Trading Day ")	0.550	81.8
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day	0.505	98.0
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day	0.501	99.6
(iv) The average closing prices of the Shares as quoted on the Stock Exchange for the trading period of the Shares within 12 complete calendar months from 1 April 2019 up to and including the Last Trading Day (the " Review Period ")	0.672	48.8

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	Price/value per Share approximately HK\$	Premium/ (discount) over/to at approximately %
(v) The Group's audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 (based on the audited equity attributable to owners of the Company of approximately HK\$5,446,083,000 after excluding the balance of Convertible Preference Shares reserve of about HK\$2,355,533,000, and then divided by the outstanding number of issued Shares of 451,390,000 as at 31 December 2019, being the date to which the latest audited financial results of the Group were made up)	6.847	(85.4)
(vi) The Group's audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 (based on the audited equity attributable to owners of the Company of approximately HK\$5,446,083,000 after excluding the balance of (a) the Convertible Preference Shares reserve of about HK\$2,355,533,000 and (b) perpetual bond of about HK\$2,259,504,000 (<i>see note below</i>), and then divided by the outstanding number of issued Shares of 451,390,000 as at 31 December 2019, being the date to which the latest audited financial results of the Group were made up)	1.841	(45.7)
(vii) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	0.520	92.3

Note:

As disclosed in the Annual Report, the perpetual bond of about HK\$2,259.5 million as at 31 December 2019 confers a right to receive distribution at 0.01% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or defer (in whole or in part) any distribution accrued on the perpetual bond at its sole and absolute discretion. The Company may elect to redeem (in whole but not in part) the perpetual bond at 100% of the

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outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the perpetual bond or any distribution payment date thereafter. The perpetual bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and ranks in priority over any Shares or Convertible Preference Shares in respect of any payment in the event of liquidation, dissolution or winding up (whether voluntary or involuntary) of the Company. The perpetual bond is classified as an equity of the Company.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber, with reference to the prevailing market price, historical price trend and liquidity of the Shares, the current capital market conditions, the existing financial position and operation prospects of the Group's business. When determining the Subscription Price, the Board noted that the prices of the Shares were trading substantially below the net asset value per Share in recent years. For any forms of equity fund-raising exercises, it would be natural and inevitable to determine the subscription price with reference to the prevailing market share price, which is a common pricing basis for equity financing. Despite the Subscription Price being lower than the net asset value per Share, it represents substantial premiums over the prevailing market prices of the Shares in the past six months. Given such premium over the historical prices of the Shares, the thin trading volume of the Shares, the net loss of the Group for the year ended 31 December 2019, and the current uncertainties in the capital market arising from the coronavirus pandemic, the Board is of the view that the Subscription price is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. The Subscription Price is also equal to the subscription prices agreed between the Company and the other two Independent Third Party subscribers under the GM Subscriptions.

The aggregate Subscription Price shall be payable by the Subscriber in cash upon Completion.

Historical price performance of the Shares

Solely for illustration purposes, we consider that it is relevant to compare the closing price level of the Shares traded on the Stock Exchange during the Review Period against the Subscription Price. We further consider that the Review Period (comprising 12 complete calendar months) represents a reasonable timeframe covering the recent Share price trend so as reflecting the Company's fundamental financial performance and the business cycle in the corresponding period to illustrate the recent Share price movement for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price. The historical performance of the Share prices during the Review Period is summarized as follow:

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	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$	Number of trading days in each month
2019				
April	0.91	0.86	0.90	19
May	0.91	0.76	0.82	21
June	0.82	0.71	0.75	19
July	0.87	0.78	0.81	22
August	0.81	0.65	0.71	22
September	0.77	0.68	0.72	21
October	0.73	0.60	0.63	21
November	0.61	0.52	0.57	21
December	0.56	0.52	0.55	20
2020				
January	0.60	0.54	0.57	20
February	0.59	0.53	0.56	20
March	0.59	0.45	0.51	22
April (up to and including the Last Trading Day)	0.55	0.52	0.54	3

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

During the Review Period, the lowest and highest closing price of the Shares during the Review Period were HK\$0.45 per Share recorded on 16 and 19 March 2019 and HK\$0.91 per Share on 15 trading days recorded between 8 April and 8 May 2019, respectively, as quoted on the Stock Exchange; whilst the lowest daily traded price was HK\$0.39 per Share recorded 24 March 2020. The average daily closing price of the Shares during the Review Period was HK\$0.67 per Share. The Subscription Price of HK\$1.00 per Subscription Share represents (i) a significant premium of approximately 122.2% from the lowest closing price; (ii) a slight premium of approximately 9.9% from the highest closing price; and (iii) a considerable premium of approximately 49.3% from the average daily closing price during the Review Period. As such, the Subscription Price of HK\$1.00 per Subscription Share had been well above all the closing price of the Shares throughout the Review Period.

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During the period from 1 April 2019 to 16 March 2020, the closing price of the Shares had gradually decreased from HK\$0.91 per Share to HK\$0.45 per Share. From April to July 2019, the closing price of the Shares hovered between HK\$0.71 per Share to HK\$0.91 per Share. In this regard, the Shares appear to be always trading at a price lower than the Subscription Price for such period of time. The closing price of the Shares had then been further decreasing to HK\$0.45 per Share on 16 and 19 March 2020, and subsequently slightly upsurge to HK\$0.55 per Share as at the Last Trading Day on 3 April 2020, which was far below the Subscription Price. We also noted that the Shares have been traded at very deep discounts to the net asset value per Share, while the Share price has been below the Subscription Price throughout the Review Period. Upon publication of the Company's announcement in respect of the GM Subscriptions and the Subscription dated 3 April 2020, the Share price quoted on the Stock Exchange did not react obviously since then up to the Latest Practicable Date. Based on this observation, we consider that the general decreasing trend during the Review Period was basically in line with the prevailing and overall atmosphere in the Hong Kong stock market, where the share prices of most of the listed companies on the Stock Exchange have been fluctuating very largely with overall decreasing trend during the same period, mainly as a consequence of the China-US trade frictions as well as the COVID-19 pandemic which have been adversely affecting the global economic environment and financial markets in every aspect.

In view of the fluctuation in the Share price during the Review Period, we have enquired with the Directors regarding the possible reasons, and were advised that they were not aware of any particular matters which might have material impact on the Share price. In addition, based on our independent research from the Stock Exchange's website, other than the Company's respective (i) routine annual reports for the FY2018 and 2019 and interim report for the six months ended 30 June 2019; (ii) a profit warning dated 17 July 2019 in respect of the Group's interim results for the six months ended 30 June 2019; and (iii) the proposed capital reduction involving cancellation of Convertible Preference Shares dated 28 February 2020, we are not aware of any other public announcements made by the Company that were price sensitive in nature and thus, we believe that the prevailing Share price level already mirrored the Group's latest and actual operating performance, financial position and business prospects and outlook shall be a reliable and meaningful benchmark for the purpose of making reference in determining, and analysing the fairness and reasonableness of, the Subscription Price.

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Historical trading volume of the Shares

The average daily number of Shares traded per month, the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares as at the Last Trading Day; and (ii) the total number of issued Shares held by the public as at the Last Trading Day, for each month during the Review Period, are tabulated as follows:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month	% of average daily trading volume of the Shares to the average total issued Shares <i>(Note 1)</i>	% of average daily trading volume of the Shares to average public float Shares <i>(Note 2)</i>	Number of trading days in each month
2019					
April	696,625	36,664	0.0081%	0.0264%	19
May	320,000	15,238	0.0034%	0.0110%	21
June	454,000	23,895	0.0053%	0.0172%	19
July	124,000	5,636	0.0012%	0.0041%	22
August	471,000	21,409	0.0047%	0.0154%	22
September	316,000	15,048	0.0033%	0.0108%	21
October	592,000	28,190	0.0062%	0.0203%	21
November	1,012,000	48,190	0.0107%	0.0347%	21
December	292,000	14,600	0.0032%	0.0105%	20
2020					
January	2,104,000	105,200	0.0233%	0.0757%	20
February	464,000	23,200	0.0051%	0.0167%	20
March	1,004,000	45,636	0.0101%	0.0329%	22
April (up to and including the Last Trading Day)	632,000	210,667	0.0467%	0.1517%	3

Notes:

1. Based on the total number of 451,390,000 Shares in issue throughout the Review Period and up to the Last Trading Day.
2. Based on 138,885,375 Shares held in public hands throughout the Review Period and up to the Last Trading Day, after excluding the aggregate of 312,504,625 Shares held by Grand Beauty and parties acting in concert with it.

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

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Based on our independent research and analysis, the percentage of average daily trading volume of the Shares per month during the Review Period was ranging from approximately 0.0012% to 0.0233%, while the average daily trading volume of the Shares had accounted for merely 0.0075% of the total number of the issued Shares throughout the Review Period. If only those Shares held by public Shareholders, i.e. the free float, are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the percentage was ranging from approximately 0.0041% to 0.0757%. The Directors are not aware of any particular events and/or public announcements which might materially affect the fluctuation of trading volume of the Shares during the Review Period. We also noted that there were 146 trading days, out of the total of 251 trading days during the Review Period, had been recorded without trading transactions. Based on such scenario, we considered that the average daily trading volume of the Shares per month were extremely thin during the Review Period. As disclosed in the Board Letter, the Board has noted that the trading liquidity of the Shares has been relatively thin for a meaningful size of shares to be transacted in the market. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber, with reference to the prevailing market price, historical price trend and liquidity of the Shares, the current capital market conditions, the existing financial position and operation prospects of the Group's business, all such factors in balance had been considered by the Board in determining the Subscription Price and number of Subscription Shares to be issued.

Based on our independent review of the historical price performance and trading volume of the Shares during the Review Period as analysed in details above, we are of the view that the Board's basis in determining the Subscription Price is fair and reasonable.

Comparison of recent issues of placing and/or subscription shares by other listed issuers

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced placing and/or subscription of new shares by using specific mandate during the last seven complete calendar months commencing from 1 September 2019 up to the Last Trading Day, as we consider that seven complete calendar months are appropriate benchmarks to reflect the recent market sentiment and the risk appetite of the investment community and the adopted time span can cover sufficient number of comparable placements or subscriptions to reflect the prevailing market trend.

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Based on the above said criteria, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of 20 comparable transactions which involve all placing and/or subscription of new shares using specific mandate (the “**Comparable Issues**”). It should be noted that the Comparable Issues may have different principal businesses, market capitalisation, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding and usual market practice of the pricing for this similar type of transaction in Hong Kong under the current market environment, we consider all of them to be relevant in assessing the fairness and reasonableness of the Subscription Price, irrespective of their respective market capitalisation and fund-raising size on the grounds that the Comparable Issues have their own business nature and prospects, profitability, financial positions, market capitalisation and funding needs/ raising size etc., all of such background factors may not be closely correlated with each other; whilst different size of market capitalisation of listed issuers would not directly affect the terms of placing and/or subscription activities in the market, and selecting samples by market capitalisation and/or fund-raising size only may distort this analysis or even mislead the Independent Shareholders because such short-listed information may not be able to present a complete, comprehensive and representative picture or analysis of all the equity fund-raising exercises completed by all listed issuers on the Stock Exchange during the period for our analysis. For each of the 20 Comparable Issues identified, we have compared the premium/ (discount) of its issue price/ placing price/ subscription price over/ (to) (i) the respective closing price on the last trading day; and (ii) the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement summarized in the following table:

Date of announcement	Company name (Stock Code)	Subscription/ placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount)	Premium/ (discount)
				over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	over/to the average closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement
				%	%
3/4/2020	VCREDIT Holdings Limited (2003)	Subscription	6.60	3.29	4.60
2/4/2020	Sinopharm Tech Holdings Limited (8156)	Subscription	0.20	(12.28)	(15.25)

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Date of announcement	Company name (Stock Code)	Subscription/ placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount)	Premium/ (discount)
				over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	over/to the average closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement %
27/3/2020	Asia Energy Logistics Group Limited (351)	Subscription	0.16	(3.03)	(6.98)
13/3/2020	National Arts Entertainment and Culture Group Limited (8228)	Subscription	0.23	24.32	23.79
10/3/2020	Bank of Jinzhou Co., Ltd. (416)	Subscription	2.165	(10.91)	(11.49)
2/3/2020	China Regenerative Medicine International Limited (8158)	Placing	0.20	(23.08)	(16.81)
6/2/2020	China Finance Investment Holdings Limited (875)	Subscription	0.65	(31.6)	(33.9)
22/1/2020	CT Vision (International) Holdings Limited (994)	Subscription	0.80	(21.57)	(21.41)
8/1/2020	Sunway International Holdings Limited (58)	Subscription	0.10	25.00	24.07
19/12/2019	Guangzhou R&F Properties Co., Ltd. (2777)	Placing	13.68	(7.19)	(5.16)
29/11/2019	Shougang Concord International Enterprises Company Limited (697)	Subscription	0.30	(13.04)	(15.25)
26/11/2019	JTF International Holdings Limited (8479)	Subscription	0.211	(2.31)	(0.38)
19/11/2019	Panda Green Energy Group Limited (686)	Subscription	0.25	7.76	9.17
10/11/2019	BC Technology Group Limited (863)	Subscription	7.42	(8.73)	11.71
1/11/2019	BeiGene, Ltd. (6160)	Subscription	104.91	27.09	26.46
30/9/2019	Regal International Airport Group Company Limited (357)	Subscription	4.69	(8.4)	(8.5)
27/9/2019	Global Bio-Chem Technology Group Company Limited (809)	Subscription	0.108	(20.0)	(23.7)
20/9/2019	Evergreen Products Group Limited (1962)	Subscription	1.55	(14.36)	(13.41)

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Date of announcement	Company name (Stock Code)	Subscription/ placing	Subscription/ placing price HK\$	Premium/ (discount)	Premium/ (discount)
				over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	over/to the average closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement
				%	%
18/9/2019	United Strength Power Holdings Limited (2337)	Placing	5.00	(11.50)	(9.75)
9/9/2019	Jete Power Holdings Limited (8133)	Placing	0.028	(6.67)	(2.78)
			Maximum	27.09	26.46
			Average	(5.36)	(4.25)
			Median	(8.57)	(7.74)
			Minimum	(31.60)	(33.90)
3/4/2020	The Company (174)	Subscription	1.00	81.8	98.0

Source: the Stock Exchange's website at www.hkex.com.hk

As indicated in the above table setting out the issue statistics of the Comparable Issues, we noted the following scenario:

- (i) the significant premium of approximately 81.8% represented by the Subscription Price to the closing price on the Last Trading Day stands far above the range of premiums/ discounts represented by the 20 Comparable Issues on the relevant last trading days, which ranges widely from a discount of approximately 31.60% to a premium of approximately 27.09%; and
- (ii) the significant premium of approximately 98.0% represented by the Subscription Price over the 5-day average closing price for the last five trading days up to and including the last trading day also stands far above the range of premiums/discounts represented by 5-day average

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closing prices of the 20 Comparable Issues on the relevant last five trading days, which ranges very widely from a discount of approximately 33.90% to a premium of approximately 26.46%.

Having considered the above analysis and further taken into account that (i) the Subscription Price of HK\$1.00 per Subscription Share represents a considerable premium over the highest and average closing price of the Shares of HK\$0.91 and HK\$0.67, respectively, throughout the Review Period; (ii) the Subscription Price represents significant premiums of approximately 81.8% and 98.0% over the closing price on the last trading day and the 5-day average closing price for the last five trading days up to and including the last trading day, respectively, of that 20 Comparable Issues; (iii) the Group's general loss-making performance over the past few FYs from 2014 to 2019; and (iv) the Subscription Price offered to the Subscriber (who is a connected person of the Company) to be exactly the same as that offered to the GM Subscribers (who are Independent Third Parties) with reference to the prevailing market price of the Shares with very large premium, despite of a significant discount to the audited net asset value per Share as at 31 December 2019 due to the current global adverse market sentiment, we consider that the basis for determination of the Subscription Price is commercially justifiable, and the terms of the Subscription Agreement are on normal commercial terms as the either party thereto is treated fairly and equitably irrespective of whether they are Independent Third Parties or connected person of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

6. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholding structure and changes of the Company in the Board Letter, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 42.31%. The Subscription Shares to be subscribed by the Subscriber represent (i) 20% and approximately 16.67% of the total number of issued Shares as at the date of the Subscription Agreement and the Latest Practicable Date, respectively; and (ii) approximately 14.29% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares. On such basis, the shareholding of the existing public Shareholders will be diluted from approximately 42.31% to 36.26% upon the completion of the Subscription Agreement, we consider such dilution impact is not material, inevitable and therefore acceptable.

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7. Financial effect of the Subscription on the Group

Earnings

Save for the legal and professional fees/ expenses of around HK\$0.7 million to be incurred in relation to the Subscription, there will not be any immediate material impact on the earnings of the Group in this regard. Hence, immediately upon completion of the Subscription, there will be no immediate effect on the earnings of the Group.

Working capital

According to the Annual Report, the Group had cash and bank balances of approximately HK\$975.2 million as at 31 December 2019. Assuming upon completion of the Subscription only, the Group's working capital and liquidity positions will be improved as the cash and bank balances will increase by the net proceeds of approximately HK\$89.6 million to be generated therefrom. Accordingly, the cash and liquidity positions, net current assets and current ratio of the Group are expected to be improved upon the Completion.

Gearing position

Based on the Annual Report, the Group had audited consolidated net asset value, aggregate borrowings and cash and bank balances of approximately HK\$5,446.1 million, HK\$672.6 million and HK\$975.2 million, respectively, as at 31 December 2019, representing a gearing ratio of 12.3% (i.e. being calculated as the aggregate borrowings to be divided by the net asset value of the Group). If we consider using the net cash basis for calculating a net gearing ratio (i.e. being calculated as the aggregate borrowings, net of cash and bank balances, to be divided by the net asset value of the Group), the Group would have no gearing level as at 31 December 2019. The Directors have expected that, following the Completion, the Group's capital base and net asset value would be enhanced, while its gearing level would be improved.

Net asset value

According to the Annual Report, the Group had audited consolidated net asset value of approximately HK\$5,446.1 million as at 31 December 2019, representing a net asset value per Share of approximately HK\$1.84 after excluding the balance of Convertible Preference Shares reserve and perpetual bond of approximately

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HK\$2,355.5 million and HK\$2,259.5 million, respectively, and based on the number of 451,390,000 issued Shares as at the date of the Subscription Agreement. Upon the Completion, the net asset value of the Group will be enhanced by the net proceeds of approximately HK\$89.6 million to be generated from the Subscription; whilst the net asset value per Share would conversely decrease because the Subscription Price of HK\$1.00 per Subscription Share is below the net asset value per Share of HK\$1.84 as at 31 December 2019, which we consider to be inevitable in view of the current global unfavourable market sentiment.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Subscription shall be regarded as corporate financing activity instead of usual operating activity of the Group, and therefore is not conducted in its ordinary and usual course of business; but the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription pursuant to the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares).

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Nicholas Cheng
Director

Note:

Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO, and has over 17 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for, and completed, numerous connected transactions involving companies listed in Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTEREST IN SECURITIES

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

Long position in the underlying shares of equity derivatives of the Company

Under the share option scheme of the Company dated 23 June 2011, share options were granted to the following Directors which entitled them to subscribe for the Shares. Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at the Latest Practicable Date were as follow:

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable	Exercise price per Share HK\$	Approximate percentage of interest in the issued Shares (Note 1)
LI Ming	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	4,000,000 (L)	0.96	0.738%
SUM Pui Ying	Beneficial owner	26 August 2011	26 August 2011 — 22 June 2021	2,000,000 (L)	1.40	0.369%
		9 August 2013	9 August 2013 — 22 June 2021	16,000,000 (L)	0.96	2.954%
		Total:		18,000,000 (L)		3.323%
LAI Kwok Hung, Alex	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	3,000,000 (L)	0.96	0.554%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.092%
		Total:		3,500,000 (L)		0.646%
LI Hongbo	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	1,000,000 (L)	0.96	0.185%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.092%
		Total:		1,500,000 (L)		0.277%

Notes:

- (1) The total number of issued Shares as at the Latest Practicable Date (that was, 541,668,000 Shares) had been used for the calculation of the approximate percentage.
- (2) The letter “L” denotes a long position in the Shares.

Long position in the shares of the associated corporation(s) of the Company

As at the Latest Practicable Date, the interests of the Directors in the shares of Sino-Ocean Group (together with its subsidiaries, the “**Sino-Ocean Holding Group**”) (being an associated corporation of the Company) were as follows:

Name of Directors	Capacity	Number of shares in Sino-Ocean Group	Approximate percentage of interest in the issued share capital of Sino-Ocean Group <i>(Note 1)</i>
LI Ming	Beneficial owner	65,445,000 (L)	0.859%
	Founder of discretionary trust	127,951,178 (L) <i>(Note 2)</i>	1.680%
	Beneficiary of trust	14,914,200 (L) <i>(Note 3)</i>	0.196%
	Total:	208,310,378 (L)	2.735%
SUM Pui Ying	Beneficial owner	3,556,500 (L)	0.047%
LI Hongbo	Beneficial owner	114,617 (L)	0.002%

Notes:

- (1) The total number of issued shares of Sino-Ocean Group as at the Latest Practicable Date (that was, 7,616,095,657 Shares) had been used for the calculation of the approximate percentage.
- (2) The 127,951,178 shares in Sino-Ocean Group are held by a discretionary trust of which Mr. LI Ming is a founder.
- (3) The 14,914,200 shares in Sino-Ocean Group are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.
- (4) The letter “L” denotes a long position in the shares in Sino-Ocean Group.

Long position in the underlying shares of equity derivatives of the associated corporation(s) of the Company

Sino-Ocean Group has adopted certain share incentive schemes for the benefits of eligible directors and employees of the Sino-Ocean Holding Group in order to provide an incentive for directors and employees of the Sino-Ocean Holding Group.

One of the share option schemes of Sino-Ocean Group was adopted by shareholders' written resolution of Sino-Ocean Group dated 3 September 2007 (the "**2007 Share Option Scheme**"), under which share options may be granted to eligible directors and employees of the Sino-Ocean Holding Group to subscribe for new shares in Sino-Ocean Group. The 2007 Share Option Scheme had expired in September 2017. This scheme was adopted for the purpose of providing an incentive for employees and directors of the Sino-Ocean Holding Group to work with commitment towards enhancing the value of Sino-Ocean Group and to compensate employees of the Sino-Ocean Holding Group for their contribution based on their individual performance. Although the 2007 Share Option Scheme has expired, the share options already granted under such scheme before its expiration remained valid.

At an extraordinary general meeting of Sino-Ocean Group held on 6 August 2018, a new share option scheme of Sino-Ocean Group was approved by the shareholders of Sino-Ocean Group (the "**2018 Share Option Scheme**"), under which share options may be granted to eligible participants to subscribe for new shares in Sino-Ocean Group. This scheme was adopted for the purpose of providing an incentive for employees of the Sino-Ocean Holding Group to work with commitment towards enhancing the value of Sino-Ocean Group and its shares for the benefit of shareholders of Sino-Ocean Group, to enhance the competitiveness of Sino-Ocean Group's remuneration structure, to attract and retain talents required to achieve Sino-Ocean Group's long-term strategic targets, and to compensate directors and employees of the Sino-Ocean Holding Group for their contribution based on their individual performance and the performance of Sino-Ocean Group.

The following Directors had been granted share options under the 2007 Share Option Scheme and the 2018 Share Option Scheme to subscribe for shares in Sino-Ocean Group and were accordingly regarded as interested in the underlying shares of Sino-Ocean Group (being an associated corporation of the Company) pursuant to the provisions of the SFO. Details of the share options of Sino-Ocean Group held by them under the 2007 Share Option Scheme and the 2018 Share Option Scheme as at the Latest Practicable Date were as follows:

Name of Directors	Capacity	Date of grant of share options	Exercise Period <i>(Notes 7 and 8)</i>	Number of shares in Sino-Ocean Group over which options are exercisable	Exercise price per share <i>HK\$</i>	Approximate
						percentage of interest of such share options held relative to the issued share capital of Sino-Ocean Group <i>(Note 1)</i>
LI Ming	Beneficial owner	27 August 2015	<i>(Note 2)</i>	540,000 (L)	4.04	0.007%
		13 April 2016	<i>(Note 3)</i>	6,000,000 (L)	3.80	0.079%
		4 September 2018	<i>(Note 5)</i>	25,000,000 (L)	3.96	0.328%
		27 March 2019	<i>(Note 6)</i>	<u>50,000,000 (L)</u>	3.37	0.657%
		Total:		81,540,000 (L)		1.071%
SUM Pui Ying	Beneficial owner	27 August 2015	<i>(Note 2)</i>	800,000 (L)	4.04	0.011%
		13 April 2016	<i>(Note 3)</i>	5,000,000 (L)	3.80	0.066%
		4 September 2018	<i>(Note 5)</i>	<u>10,000,000 (L)</u>	3.96	0.131%
		Total:		15,800,000 (L)		0.207%
LI Hongbo	Beneficial owner	27 August 2015	<i>(Note 2)</i>	210,000 (L)	4.04	0.003%
		13 April 2016	<i>(Note 3)</i>	1,200,000 (L)	3.80	0.016%
		24 August 2017	<i>(Note 4)</i>	<u>2,000,000 (L)</u>	4.70	0.026%
		Total:		3,410,000 (L)		0.045%

Notes:

- (1) The total number of issued shares of Sino-Ocean Group as at the Latest Practicable Date (that was, 7,616,095,657 Shares) had been used for the calculation of the approximate percentage.
- (2) Exercisable from 27 August 2016 to 26 August 2020.
- (3) Exercisable from 13 April 2017 to 12 April 2021.
- (4) Exercisable from 24 August 2018 to 23 August 2022.
- (5) Exercisable from 4 September 2019 to 3 September 2023.
- (6) Exercisable from 27 March 2020 to 26 March 2024.
- (7) All the above share options of Sino-Ocean Group granted on 27 August 2015, 13 April 2016 and 24 August 2017 represent share options granted under the 2007 Share Option Scheme and are exercisable within a five year period in which 40% of the options become exercisable 1 year from the grant date; 70% of the options become exercisable 2 years from the grant date; and all options become exercisable 3 years from the grant date.
- (8) All the above share options of Sino-Ocean Group granted on 4 September 2018 and 27 March 2019 represent share options granted under the 2018 Share Option Scheme and are exercisable within a five-year period, of which 50% of the options become exercisable 1 year from the grant date, and all options become exercisable 2 years from the grant date.
- (9) The letter “L” denotes a long position in the shares in Sino-Ocean Group.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company as recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of Interest/capacity	Number of Shares/underlying Shares	Approximate percentage of interest in the issued Shares <i>(Note 1)</i>
Sino-Ocean Group	Interest of controlled corporations <i>(Notes 3 and 5)</i>	795,782,625 (L) <i>(Note 4)</i>	146.91%
Shine Wind Development Limited ("Shine Wind")	Interest of controlled corporations <i>(Notes 3 and 5)</i>	795,782,625 (L) <i>(Note 4)</i>	146.91%
Faith Ocean International Limited ("Faith Ocean")	Interest of controlled corporations <i>(Notes 3 and 5)</i>	795,782,625 (L) <i>(Note 4)</i>	146.91%
Sino-Ocean Land (Hong Kong) Limited ("SOL HK")	Interest of controlled corporations <i>(Notes 3 and 5)</i>	795,782,625 (L) <i>(Note 4)</i>	146.91%
Grand Beauty	Beneficial owner <i>(Note 3)</i> Beneficial owner <i>(Note 3)</i>	312,504,625 (L) 393,000,000 (L) <i>(Note 2)</i>	57.69% 72.55%
	Total:	<u>705,504,625 (L)</u>	130.25%
Heroic Peace Limited ("Heroic Peace")	Interest of controlled corporation <i>(Note 5)</i>	90,278,000 (L)	16.67%
Fortune Joy	Interest of controlled corporation <i>(Note 5)</i>	90,278,000 (L)	16.67%
Sino-Ocean Capital Holding Limited ("Sino-Ocean Capital")	Interest of controlled corporation <i>(Note 5)</i>	90,278,000 (L)	16.67%
Oriental Model Limited ("Oriental Model")	Interest of controlled corporation <i>(Note 5)</i>	90,278,000 (L)	16.67%

Name	Nature of Interest/capacity	Number of Shares/underlying Shares	Approximate percentage of interest in the issued Shares (Note 1)
Oceanland Global Investment Limited (“Oceanland Global”)	Interest of controlled corporation (Note 5)	90,278,000 (L)	16.67%
The Subscriber	Beneficial owner (Note 5)	90,278,000 (L)	16.67%
Hongkong Presstar Enterprise Co., Limited (“HK Presstar”)	Beneficial owner (Note 6)	45,139,000 (L)	8.33%
ZHANG Li	Interest of controlled corporation (Note 6)	45,139,000 (L)	8.33%
Trend Best Investment Limited (“Trend Best”)	Beneficial owner (Note 7)	45,139,000 (L)	8.33%
WANG Xiao	Beneficial owner	1,326,000 (L)	0.24%
	Interest of controlled corporation (Note 7)	45,139,000 (L)	8.33%
	Total:	<u>46,465,000 (L)</u>	8.58%

Notes:

- (1) The total number of issued Shares as at the Latest Practicable Date (that was, 541,668,000 Shares) had been used for the calculation of the approximate percentage.
- (2) These shares represent the 393,000,000 underlying Shares which may be allotted and issued to Grand Beauty, a wholly-owned subsidiary of Sino-Ocean Group, upon exercise in full the conversion rights attaching to the remaining 786,000,000 Convertible Preference Shares.
- (3) Grand Beauty was wholly-owned by SOL HK. SOL HK was wholly-owned by Faith Ocean which was, in turn, wholly-owned by Shine Wind. Shine Wind was wholly-owned by Sino-Ocean Group. In view of their respective direct or indirect 100% shareholding interest in Grand Beauty, each of SOL HK, Faith Ocean, Shine Wind and Sino-Ocean Group was deemed under the SFO to be interested in the 705,504,625 Shares in which Grand Beauty was interested.

- (4) These shares represent (i) the 705,504,625 Shares in which Grand Beauty was interested; and (ii) the 90,278,000 Subscription Shares in which the Subscriber was interested.
- (5) The Subscriber was wholly-owned by Oceanland Global, which was, in turn, 70% owned by Oriental Model and 30% owned by Joyful Clever Limited. Oriental Model was wholly-owned by Sino-Ocean Capital and Joyful Clever Limited was indirectly wholly-owned by Sino-Ocean Capital. Sino-Ocean Capital was wholly-owned by Fortune Joy. Fortune Joy was 49% owned by Heroic Peace, which was, in turn, wholly-owned by SOL HK. Please refer to note (3) above for the relationships between SOL HK, Faith Ocean, Shine Wind and Sino-Ocean Group. In view of their respective interests in the Subscriber, each of Oceanland Global, Oriental Model, Sino-Ocean Capital, Fortune Joy, Heroic Peace, SOL HK, Faith Ocean, Shine Wind and Sino-Ocean Group was deemed under the SFO to be interested in the 90,278,000 Subscription Shares in which the Subscriber was interested.
- (6) HK Presstar is wholly-owned by Mr. ZHANG Li. As such, Mr. ZHANG Li was deemed under the SFO to be interested in the 45,139,000 Shares in which HK Presstar was interested.
- (7) Trend Best is wholly-owned by Mr. WANG Xiao. As such, Mr. WANG Xiao was deemed under the SFO to be interested in the 45,139,000 Shares in which Trend Best was interested.
- (8) The letter “L” denotes a long position in the Shares.

Save as disclosed herein, as at the Latest Practicable Date, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company which had been recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the issued Shares.

4. DIRECTOR’S SERVICE CONTRACTS

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

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any proposed Director or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete either directly or indirectly with the business of the Group.

7. MATERIAL INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or the expert described in section 9 of this appendix had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT AND CONSENT

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

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated under it (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares)

As at the Latest Practicable Date, the Independent Financial Adviser (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which they respectively appear.

10. GENERAL

- (i) The registered office and principal place of business of the Company is Room 3902, 39th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.
- (ii) The share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Ms. YUE Pui Kwan, who is a Chartered Secretary and Chartered Governance Professional and an associate member of both The Hong Kong Institute of Company Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).
- (iv) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 3902, 39th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including the date of the EGM:

- (i) the Subscription Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 18 to 19 of this circular;

- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 47 of this circular;
- (iv) the letter of consent referred to in the section headed “9. Expert and Consent” in this appendix; and
- (v) this circular.

NOTICE OF EGM



盛洋投資

Gemini Investments (Holdings) Limited

盛洋投資(控股)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 174)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Gemini Investments (Holdings) Limited (the “**Company**”) will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on Tuesday, 19 May 2020 at 10:30 a.m. or any adjournment of such meeting for the purposes of considering and, if thought fit, passing the following resolution, with or without modification, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the subscription agreement dated 3 April 2020 (the “**Subscription Agreement**”, a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the EGM for identification purposes) entered into between the Company and Glory Class Ventures Limited (the “**Subscriber**”), pursuant to which, among other things, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 90,278,000 new ordinary shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$1.00 per share (the “**Subscription Price**”), and the transactions contemplated under it be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”, each a “**Director**”) be and are hereby authorised to take all steps necessary to allot and issue the Subscription Shares at the Subscription Price in accordance with the terms of the Subscription Agreement and the articles of association of the Company; and

NOTICE OF EGM

- (c) any one Director be and is hereby authorised to take all steps and acts and things and to sign and execute all documents, instruments and agreements (including the affixation of the Company's common seal) deemed by the Director to be incidental to, ancillary to or in connection with the Subscription Agreement and the transactions contemplated under it (including but not limited to the allotment and issue of the Subscription Shares).”

By Order of the Board
Gemini Investments (Holdings) Limited
LAI Kwok Hung, Alex
Executive Director

Hong Kong, 28 April 2020

Notes:

- (1) A member entitled to attend and vote at the EGM may appoint a proxy or, if holding two or more ordinary shares, more than one proxy to attend, and speak and vote at, the EGM or any adjournment thereof (as the case may be) on his behalf. If a member appoints more than one proxy, he must specify the number of ordinary shares each proxy is appointed to represent. A proxy need not be a member of the Company.
- (2) In order to be valid, a proxy form, together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be deposited at the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. The proxy form must be signed by the appointor or his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (3) To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 14 May 2020 to Tuesday, 19 May 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 13 May 2020.
- The record date for such purposes is Tuesday, 19 May 2020.
- (4) Where there are joint registered holders of any ordinary share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such ordinary share as if he were solely entitled thereto; but if more than one of such joint holders be present at any 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 ordinary share(s) shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 28 April 2020 which contains information concerning the resolution to be proposed in this notice.
- (6) According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders of the Company at a general meeting of the Company must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolution at the EGM.
- (7) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Directors are as follows:

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent non-executive Directors:</i>
Mr. SUM Pui Ying	Mr. LI Ming	Mr. LAW Tze Lun
Mr. LAI Kwok Hung, Alex	Mr. LI Hongbo	Mr. LO Woon Bor, Henry
	Mr. TANG Runjiang	Ms. CHEN Yingshun

In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attendees from the risk of infection:

- **compulsory body temperature checks**
- **recommended wearing of surgical face masks**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.