
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Grand Field Group Holdings Limited (the "Company"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

**(1) CAPITAL REORGANISATION;
(2) CONNECTED TRANSACTION
IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 9 to 35 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from Red Sun Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 67 of this circular.

A notice convening a special general meeting (the "SGM") of the Company to be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Thursday, 21 January 2021 at 10:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing coronavirus disease (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending shareholders, staff and stakeholders of the Company from the risk of infection including, without limitation:

- (1) Compulsory temperature checks
- (2) Submission of health declaration form
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Any person who does not comply with the precautionary measures, is with a body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form 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 resolutions at the SGM as an alternative to attending the SGM in person. Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

14 December 2020

* For identification purposes only

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DEFINITIONS

In this circular (including the cover page), unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 17 November 2020 in relation to, among other things, the Capital Reorganisation and the Subscription
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (excluding Saturday, Sunday, any public holiday and any day on which a tropical cyclone warning 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 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
“Bye-Laws”	the bye-laws of the Company as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Capital Reduction”	the proposal for the reduction of the par value of the issued Consolidated Shares from HK\$1.00 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share and the cancellation of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation immediately after the Share Consolidation
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Subdivision referred to in this circular

DEFINITIONS

“close associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Company”	Grand Field Group Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Stock Exchange
“Completion Date”	being 21 February 2021, or such other date as may be agreed between the parties to the Subscription Agreement in writing
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$1.00 each in the capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.8 per New Share (subject to adjustment as set out in the New Convertible Bond instrument, from time to time, if any)
“Conversion Right(s)”	the right(s) attaching to the New Convertible Bond to convert in whole or in part (in an integral multiple of HK\$1,000,000) the respective outstanding principal amounts into the Conversion Share(s)
“Conversion Share(s)”	the Share(s) to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the New Convertible Bond
“Deemed Settlement Amount”	the net amount receivable from the Subscriber excluding the provision amounts under the deed of indemnity dated 28 April 2017, which will be determined on 31 December 2020 to offset the outstanding principal amount of the Existing Convertible Bond
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Existing Convertible Bond”	3% coupon convertible bond due on 21 February 2021 issued by the Company to the Subscriber, the outstanding principal amount of which is HK\$112,320,000 as at the date of this circular
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok, established for the purpose of advising the Independent Shareholders in relation to the Subscription
“Independent Shareholders”	Shareholders other than the Subscriber and her close associates, and those who are interested in the Subscription
“Last Trading Day”	16 November 2020, being the last full trading day prior to the publication of the Announcement
“Latest Practicable Date”	being 9 December 2020, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in the circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsang”	Mr. Tsang Wai Lun Wayland, father of Ms. Tsang and Mr. Tsang Yee
“New Convertible Bond”	the 5% coupon convertible bond with a 18 months term to be subscribed by the Subscriber under the Subscription Agreement

DEFINITIONS

“New Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Red Sun Capital” or “Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription
“Record Date”	being 15 January 2021, for the purpose of ascertaining Shareholders’ eligibility to attend and vote at the SGM
“Rhenfield”	Rhenfield Development Corp., a substantial Shareholder and owned as to 50% by Ms. Tsang and 50% by Mr. Tsang Yee
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation, the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	the Existing Share(s), the Consolidated Share(s) or the New Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares of par value of HK\$0.10 each into one (1) Consolidated Share of par value of HK\$1.00 each in the share capital of the Company
“Share Subdivision”	the proposed subdivision of each authorised but unissued Consolidated Share of par value of HK\$1.00 into one hundred (100) New Shares of par value of HK\$0.01 each

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the New Convertible Bond by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 17 November 2020 entered into between the Company and the Subscriber pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the New Convertible Bond
“Subscriber” or “Ms. Tsang”	Ms. Tsang Tsz Nok Aleen, a substantial Shareholder
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the outbreak of coronavirus disease (COVID-19) pandemic (the “**COVID-19 Pandemic**”), to safeguard the health and safety of Shareholders who might be attending the SGM in person, the Company will implement the following precautionary measures at the SGM:

- Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the SGM venue. Any person with a body temperature above 37.2 degree Celsius, or is exhibiting any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the SGM venue and be required to leave the SGM venue.
- Shareholders, proxies and other attendees are required to comply with the latest pandemic prevention policy requirements of the Hong Kong Government. Any person who does not comply with relevant requirements will be required to leave the SGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the SGM venue at all times. Any person who does not comply with this requirement will be required to leave the SGM venue.
- No refreshments or drinks will be served at the SGM.

Shareholders who are feeling unwell are advised not to attend the SGM.

For the health and safety of Shareholders, the Company reminds Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

As the COVID-19 Pandemic continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attending the SGM and to comply with any requirements or recommendations of any government agencies from time to time. Shareholders are advised to check the websites of the Company at <http://www.gfghl.com> and the Stock Exchange at <http://www.hkexnews.hk>, for further announcements and updates on the SGM arrangements that may be issued.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19 Pandemic.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below. The timetable is subject to the results of the SGM and is therefore for indicative purpose only. An announcement will be made by the Company regarding any changes to the expected timetable as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Events **2020**

Despatch of circular with notice and proxy form of the SGM Monday, 14 December

2021

Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM 4:30 p.m. on Friday, 15 January

Record date for the purpose of ascertaining Shareholders' eligibility to attend and vote at the SGM Friday, 15 January

Latest time for lodging the proxy form of the SGM 10:30 a.m. on Tuesday, 19 January

Expected date and time of the SGM 10:30 a.m. on Thursday, 21 January

Announcement of the results of the SGM Thursday, 21 January

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation:

Expected effective date of the Capital Reorganisation Monday, 25 January

First day for free exchange of existing share certificates for new share certificates Monday, 25 January

Commencement of dealings in New Shares 9:00 a.m. on Monday, 25 January

Original counter for trading in Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on Monday, 25 January

Temporary counter for trading in New Shares in board lots of 1,000 New Shares (in the form of existing share certificates) opens 9:00 a.m. on Monday, 25 January

EXPECTED TIMETABLE

Original counter for trading in New Shares in board lots of 10,000 New Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 8 February
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Monday, 8 February
Designated broker starts to provide matching services for odd lots of New Shares	Monday, 8 February
Temporary counter for trading in New Shares in board lots of 1,000 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 2 March
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m. on Tuesday, 2 March
Designated broker ceases to provide matching services for odd lots of New Shares	4:10 p.m. on Tuesday, 2 March
Last day for free exchange of existing share certificates for new share certificates	Monday, 8 March

This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

LETTER FROM THE BOARD



鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

Executive Directors:

Mr. Ma Xuemian (*Chairman*)
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

Independent Non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Wong Sze Lok

Head Office and Principal

Place of Business:

Unit 1004B, 10/F.,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Registered Office in Bermuda:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

14 December 2020

To the Shareholders

Dear Sir or Madam,

**(1) CAPITAL REORGANISATION;
(2) CONNECTED TRANSACTION
IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 17 November 2020 in relation to, among other things, the Capital Reorganisation and the Subscription.

The purpose of this circular is to provide you with information in respect of, among other things, (i) details of the Capital Reorganisation, the Subscription and the New Convertible Bond; (ii) recommendation from the Independent Board Committee in respect of the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder in respect of the Subscription; and (iv) the notice of the SGM.

* *For identification purposes only*

LETTER FROM THE BOARD

CAPITAL REORGANISATION

On 17 November 2020, the Board proposes to put forward to the Shareholders the Capital Reorganisation which will comprise:

- (i) the Share Consolidation whereby every ten (10) issued and unissued Existing Shares of par value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each;
- (ii) the Capital Reduction whereby the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled;
- (iii) the Share Subdivision of every unissued Consolidated Share of par value of HK\$1.00 each in the authorised share capital of the Company into one hundred (100) New Shares of par value of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company within the meaning of the Companies Act.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Existing Shares, of which 2,449,554,132 Existing Shares were issued and credited as fully paid. Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Share Consolidation becomes effective and only 0.2 fractional Consolidated Shares is created from the Share Consolidation, the issued share capital of the Company will be HK\$244,955,413 divided into 244,955,413 Consolidated Shares of par value of HK\$1.00 each.

Upon the Capital Reduction becoming effective, the par value of all the Consolidated Shares shall be reduced from HK\$1.00 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.99 per Consolidated Share in issue. The fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation, if any, will also be cancelled. Any fractional Consolidated Shares to which the Shareholders are entitled shall be aggregated and sold for the benefit of the Company.

The New Shares will rank *pari passu* in all respects with each other in accordance with the Bye-Laws. There will be no change in authorised share capital of the Company and the issued share capital will be reduced to HK\$2,449,554.13 divided into 244,955,413 New Shares of par value of HK\$0.01 each.

LETTER FROM THE BOARD

The credit of HK\$242,505,858.87 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act, which will be used by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after the implementation of the Capital Reorganisation, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation.

	As at the Latest Practicable Date	Immediately after the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.10 per Existing Share	HK\$1.00 per Consolidated Share	HK\$0.01 per New Share
Authorised share capital	HK\$500,000,000.00 divided into 5,000,000,000 Existing Shares	HK\$500,000,000.00 divided into 500,000,000 Consolidated Shares	HK\$500,000,000.00 divided into 50,000,000,000 New Shares
Issued and fully paid up or credited as fully paid up share capital	HK\$244,955,413.20 divided into 2,449,554,132 Existing Shares	HK\$244,955,413.00 divided into 244,955,413 Consolidated Shares (Note)	HK\$2,449,554.13 divided into 244,955,413 New Shares (Note)
Unissued share capital	HK\$255,044,586.80 divided into 2,550,445,868 Existing Shares	HK\$255,044,587.00 divided into 255,044,587 Consolidated Shares (Note)	HK\$497,550,445.87 divided into 49,755,044,587 New Shares (Note)

LETTER FROM THE BOARD

Note: Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Share Consolidation becomes effective and only 0.2 fractional Consolidated Shares is created from the Share Consolidation.

Reasons for the Capital Reorganisation

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Furthermore, pursuant to the requirements set out in “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Some brokers charge their clients a fee per board lot, i.e. the handling costs of dealings in more board lots are higher than those for less board lots. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares. Based on the closing price of HK\$0.084 per Existing Share (equivalent to the theoretical closing price of HK\$0.84 per New Share) as at Latest Practicable Date, the value of each board lot of the Existing Shares is HK\$840 and the theoretical market value of each board lot of the New Shares, assuming the Capital Reorganisation had become effective, would be HK\$8,400.

Meanwhile, the Capital Reorganisation involves the Capital Reduction which reduces the par value of the issued Consolidated Shares from HK\$1.00 per Consolidated Share to HK\$0.01 per New Share. Under the laws of Bermuda, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

The Board considers that (i) after the Share Consolidation, the number of new board lots will be one-tenth of that of old board lots for the same amount of value of Shares and the Share Consolidation will reduce the proportionate transaction and handling costs for dealing in the Shares, including those fees which are charged with reference to the number of board lots; (ii) the Capital Reorganisation will provide the Company with greater flexibility in possible fund raisings in the future given the Existing Shares were trading below their par value recently; (iii) the Capital Reorganisation will accommodate the issue of the Conversion Shares; and (iv) the credit in the contributed surplus account of the Company arising from the Capital Reduction, which will be used by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws.

LETTER FROM THE BOARD

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and, if required, the New Shares which may fall to be allotted and issued upon exercise of the share options to be granted under the share option scheme of the Company and upon exercise of the Conversion Rights;
- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due, and the Listing Rules to effect the Capital Reorganisation; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Listing and dealings

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and the New Shares which may fall to be allotted and issued upon exercise of the share options to be granted under the share option scheme of the Company and upon exercise of the Conversion Rights.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

LETTER FROM THE BOARD

Fractional shares

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional Consolidated Shares to which the Shareholders are entitled shall be aggregated and sold for the benefit of the Company.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may from Monday, 25 January 2021 to Monday, 8 March 2021 submit share certificates of the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in exchange, at the expense of the Company, for new share certificates of New Shares. Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Tuesday, 2 March 2021 (or such other date which may be announced by the Company) and will continue to be good evidence of legal title and may be exchanged for share certificates of the New Shares at any time in accordance with the foregoing.

The new share certificates of the New Shares will be issued in light brown colour in order to distinguish them from the existing blue colour.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation, the Company has appointed Halcyon Securities Limited as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares during the period from 9:00 a.m. on Monday, 8 February 2021 to 4:10 p.m. on Tuesday, 2 March 2021 (both days inclusive). Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the New Shares or to top up their odd lots of the New Shares to a full new board lot may directly or through their broker contact Mr. Gilbert Lam of Halcyon Securities Limited at 11th Floor, 8 Wyndham Street, Hong Kong (telephone: (852) 3970 0990 and facsimile: (852) 3970 0998) during the aforesaid period.

The Shareholders should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

Adjustment in relation to other securities of the Company

As at the Latest Practicable Date, the Company had the Existing Convertible Bond, which will be fully settled as set out in this circular below, in aggregate principal amount of HK\$112,320,000 issued to the Subscriber on 22 February 2019 remained outstanding. Subject to the confirmation of the auditor of the Company or an approved merchant bank (as the case may be) as defined in the Existing Convertible Bond instrument, the Capital Reorganisation may cause adjustments to the conversion price of the Existing Convertible Bond. The Company will inform the Subscriber of the relevant adjustment(s), and make further announcement on the Stock Exchange as and when appropriate.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

THE SUBSCRIPTION

On 17 November 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond.

The principal terms of the Subscription Agreement are set out below.

Subscription Agreement

Date: 17 November 2020

Parties: The Company, as issuer
The Subscriber, as subscriber

As at the Latest Practicable Date, the Subscriber and her controlled corporation namely, Rhenfield, together held 708,413,537 Existing Shares in aggregate, representing approximately 28.9% of the total number of existing issued Shares. Accordingly, the Subscriber is a substantial Shareholder and a connected person of the Company under the Listing Rules.

Subject

The Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond at the subscription price which will be fully used for the settlement of part of the outstanding principal amount of the Existing Convertible Bond as at the Completion Date.

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The outstanding principal amount of the Existing Convertible Bond will first be offset by the Deemed Settlement Amount as at 31 December 2020 (the “**Settlement Arrangement**”) and the remaining balance will be settled through the issue of the New Convertible Bond on the Completion Date, on a dollar-for-dollar basis. The outstanding principal amount under the Existing Convertible Bond was HK\$112,320,000 as at the date of the Subscription Agreement and is expected to be partially offset under the Settlement Arrangement and will then remain unchanged up to and until the Completion Date.

The Deemed Settlement Amount was principally arisen from a deed of indemnity entered into on 28 April 2017 as part of the acquisition of the entire issued share capital of Intra Asia Limited by the Group in relation to the conditional sale and purchase agreement dated 24 February 2017 entered into between the Company, Surplus Full Development Limited (a wholly-owned subsidiary of the Company), the Subscriber and Mr. Tsang (the “**2017 Acquisition Agreement**”), pursuant to which the Group would be indemnified for, inter alia, any compensation (including interest), claim, expense and charge arose by ongoing or potential legal proceedings or lawsuits concerning Intra Asia Limited and its subsidiaries (the “**Intra Asia Group**”) or the relevant property before the relevant completion date. Further details of the 2017 Acquisition Agreement were set out in the circular of the Company dated 30 March 2017. The Deemed Settlement Amount represented the net amount receivable from the Subscriber arising from the actual amount paid by the Group but excluding any provision amounts (being those not being paid by the Group) as at 31 December 2020. Such provision amounts and/or further compensation or claims concerning the Intra Asia Group or the relevant property under the deed of indemnity would be settled by the Subscriber with the Group separately. As at 30 September 2020, the Deemed Settlement Amount to be offset under the Settlement Arrangement was approximately HK\$12.6 million, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020.

Conditions precedent

Completion of the Subscription Agreement is conditional upon:-

- (a) the completion of the Settlement Arrangement;
- (b) the written confirmation letter provided by the Company to the Subscriber, confirming the representations, warranties and undertaking given by the Company in the Subscription Agreement remaining true, correct and not misleading in all material respects as at the Completion Date;
- (c) the certified true copy or original of the executed New Convertible Bond instrument, the certificate of the New Convertible Bond, the certified true copy of the updated register of bondholders and other relevant documents were delivered to the Subscriber by the Company;

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- (d) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the New Shares arising from the implementation of the Capital Reorganisation and the Conversion Shares to be issued upon exercise of the Conversion Rights pursuant to the New Convertible Bond and such grant remaining in full force and effect;
- (e) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the Capital Reorganisation and the Subscription and the issue of the New Convertible Bond and the Conversion Shares upon exercise of the Conversion Rights and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;
- (f) the compliance by the Company with all legal and other requirements under the Listing Rules and the laws of Bermuda applicable to the Capital Reorganisation and the transactions contemplated under the Subscription Agreement; and
- (g) the passing of the requisite respective resolutions by the Board and the Shareholders at the SGM (other than those persons who are precluded from voting under the Listing Rules) approving, *inter alia*, the Capital Reorganisation and the transactions contemplated under the Subscription Agreement (including but not limited to the issue of the New Convertible Bond and the allotment and issue of Conversion Shares upon exercise of the respective Conversion Rights).

All conditions above are non-waivable except that conditions (b) and (c) above are waivable at the discretion of the Subscriber. As at the Latest Practicable Date, none of the above conditions have been fulfilled or waived.

In the event that the conditions of the Subscription are not fulfilled by 3:00 p.m. on or before 21 February 2021 or such other time and date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

Completion

Completion of the Subscription Agreement shall take place on the Completion Date (or such other date as may be agreed between the respective parties).

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE NEW CONVERTIBLE BOND

Principal amount	<p>Up to HK\$102.32 million (being the maximum aggregate amount of the outstanding principal amount owing by the Company to the Subscriber under the Existing Convertible Bond, which is HK\$112,320,000 as at the date of the Subscription Agreement, minus the Deemed Settlement Amount, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020). The final principal amount of the New Convertible Bond will be determined by reference to the outstanding principal amount of the Existing Convertible Bond as at the Completion Date after netting off the Deemed Settlement Amount as at 31 December 2020.</p>
Maturity	<p>18 month from the date of issue of the New Convertible Bond</p>
Interest rate	<p>5% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In case of delay in paying the principal or interest, the default interest rate will be 8% per annum.</p> <p>The interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the interest rates of loans from banks of the Group (which were secured) as at 31 December 2018 and 2019 which ranged from 6.09% to 7% per annum. The default interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; (ii) the interest rate of the New Convertible Bond of 5% per annum when there is no default; and (iii) the interest rates of loans from independent third parties (non-bank) as at 31 December 2019 which ranged from 10% to 25% per annum.</p>
Denomination for conversion	<p>With a minimum aggregate amount of HK\$1,000,000 and authorised denominations(s) integral multiples thereof save that if at any time the aggregate outstanding principal amount held by a holder of the New Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be converted.</p>

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Conversion rights

A holder of the New Convertible Bond shall have the right to convert in whole or in part (in an integral multiple of HK\$1,000,000) of the New Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day from the date of issue of the New Convertible Bond and up to the maturity date of the New Convertible Bond, subject to the restrictions on the exercise of the Conversion Rights as set out below.

Conversion price

Initially, HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation), subject to adjustments.

The Conversion Price shall be adjusted as provided in the New Convertible Bond instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

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

where:

A is the revised nominal amount; and

B is the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the date on which the consolidation or sub-division becomes effective.

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- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or, if any, capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{D}$$

where:

C is the aggregate nominal amount of the issued Shares immediately before such issue; and

D is the aggregate nominal amount of the issued Shares immediately after such issue.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) a capital distribution (as defined in the New Convertible Bond instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

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If and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E is the market price (as defined in the New Convertible Bond instrument) on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the capital distribution or, as the case may be, of the grant; and

F is the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by a financial adviser or auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share;

Provided that:

- (i) if in the opinion of the relevant financial adviser or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if F meant the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (ii) the provisions as aforesaid shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant.

- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares;

If and whenever the Company shall after the date hereof offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + \frac{H \times I}{J}}{G + H}$$

where:

G is the number of Shares in issue immediately before the date of such announcement;

H is the aggregate number of Shares so offered for subscription;

I is the amount (if any) payable for the rights, options or warrants or other rights to subscribe for each new Share, plus the subscription price payable for each new Share; and

J is the closing price per Share on the last trading day on which the Shares are traded on cum-rights basis.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer.

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- (v) an issue being made by the Company of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price;

- (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

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- (ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as foresaid are modified so that the total effective consideration per Share initially receivable for such securities shall be less than 80% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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For the purposes of this sub-paragraph (v), the “total effective consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the effective consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price; and

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined below) less than 80% of the market price.

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If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total effective consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which the Company determines the issue price for such Shares.

For the purpose of this sub-paragraph (vii) “total effective consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total effective consideration per Share” shall be the total effective consideration divided by the number of Shares issued as aforesaid.

Transferability

Freely transferrable, in whole or any part of the outstanding principal amount, to any person, subject to the terms of the New Convertible Bond (as the case may be), the Listing Rules and all applicable laws and regulations. If the New Convertible Bond is transferred to a “connected person” (as defined in the Listing Rules) of the Company or its associate(s) (as defined in the Listing Rules), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to having obtained the written consent from the Company and prior approval of the Stock Exchange (if necessary) and full compliance with the Listing Rules. The New Convertible Bond instrument which governs the terms and conditions of the New Convertible Bond shall be binding on the Company and any holders of the New Convertible Bond.

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- Listing** No application will be made for the listing of the New Convertible Bond on the Stock Exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.
- Ranking** The Conversion Shares to be issued upon the exercise of the Conversion Rights will be credited as fully paid and will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date for which falls on a date on or after the date of their issue.
- Voting** A holder of the New Convertible Bond will not be entitled to receive notices of, attend or vote at any Shareholders' meetings of the Company by reason only of it being a holder of the New Convertible Bond.
- Redemption and repurchase** The Company shall redeem at 100% of the outstanding principal amount of the New Convertible Bond (as the case may be) on the maturity date.
- The Company shall have the right to redeem in whole or any part(s) of the principal amount of the New Convertible Bond, with an aggregate amount of HK\$1,000,000 and authorised denominations(s) integral multiples thereof (if at any time the aggregate outstanding principal amount held by a holder of the New Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any business day prior to the maturity date by giving prior notice of not less than thirty (30) days in writing to the holder of the New Convertible Bond. The New Convertible Bond(s) or any part thereof so redeemed shall forthwith be cancelled by the Company.

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Status The obligations of the Company arising under the New Convertible Bond constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

Restriction on the exercise of the Conversion Rights The holder(s) of the New Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or (iii) the holder(s) of the New Convertible Bond or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations. Any notice of conversion which may cause the Company to fall under the aforementioned scenario shall be void.

Assuming full conversion of the maximum principal amount of the New Convertible Bond of HK\$102.32 million (being the maximum aggregate amount of the outstanding principal amount owing by the Company to the Subscriber under the Existing Convertible Bond, which is HK\$112,320,000 as at the date of the Subscription Agreement, minus the Deemed Settlement Amount, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020) at the initial Conversion Price, a total of maximum 127,900,000 New Shares (assuming the Capital Reorganisation has become effective) with aggregate nominal value of HK\$1,279,000 will be issued, representing approximately 52.2% of the total number of existing issued Shares as at the Latest Practicable Date (taking into account the effect of the Capital Reorganisation) and approximately 34.3% of the total number of existing issued Shares as enlarged by the issue of the Conversion Shares (taking into account the effect of the Capital Reorganisation).

Investors shall note that the conversion of the New Convertible Bond is subject to the conversion restrictions under the New Convertible Bond as set out above.

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Conversion Price

The initial Conversion Price, being HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation), represents:

- (i) a premium of approximately 2.6% over the adjusted closing price of HK\$0.78 per New Share (based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (ii) a premium of approximately 2.8% over the adjusted average closing price of approximately HK\$0.778 per New Share (based on the average closing price of approximately HK\$0.0778 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iii) a premium of approximately 4.7% over the adjusted average closing price of approximately HK\$0.764 per New Share (based on the average closing price of HK\$0.0764 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation); and
- (iv) a discount of approximately 81.9% to the adjusted unaudited consolidated net assets attributable to owners of the Company of approximately HK\$4.410 per New Share as at 30 June 2020 (the “**Adjusted NAV per New Share**”); and
- (v) a discount of approximately 4.8% to the adjusted closing price of HK\$0.84 per New Share (based on the closing price of HK\$0.084 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation).

The initial Conversion Price was arrived at after arm’s length negotiation between the Company and the Subscriber after taking into account the following:

- (i) the prevailing closing price of the Shares which ranged from HK\$0.075 to HK\$0.08 during the month immediately preceding the Last Trading Day and the initial Conversion Price represented the highest closing price of the Shares (taking into account of the effect of the Capital Reorganisation) during such period;
- (ii) the trading volume of the Shares during the three months immediately preceding the Last Trading Day was relatively thin and in aggregate amounted to approximately 0.2% of the total number of existing issued Shares; and

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- (iii) the Group was loss-making for the year ended 31 December 2019 and the six months ended 30 June 2020 and had generated negative operating cash flows before working capital changes during each of the three years ended 31 December 2019 and had recorded unaudited net current liabilities of approximately HK\$0.9 billion as at 30 June 2020.

The Directors noted that the Conversion Price represents a discount of approximately 81.9% to the Adjusted NAV per New Share. While it was also noted that (i) the Shares had been consistently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past two years immediately preceding the date of the Subscription Agreement calculated based on the consolidated net assets attributable to owners of the Company as at 31 December 2018, 31 December 2019 or 30 June 2020 (as the case may be) and the weighted average number of Shares in issue in the respective periods (ranging from a minimum discount of approximately 75.8% to a maximum discount of approximately 87.1%); (ii) it is not uncommon for the shares of property development companies to trade at a considerable discount to their respective net assets value per share; and (iii) over 70% of the total assets of the Group as at 30 June 2020 were investment properties which was illiquid in nature. Therefore, both the Subscriber and the Company considered that the prevailing market price of the Shares would be a more appropriate reference, in determining the initial Conversion Price instead of the Adjusted NAV per New Share.

Taking into account of the aforesaid, the Directors consider that the Conversion Price was an appropriate benchmark to reflect the prevailing market conditions and is fair and reasonable and in the interests of the Company and the Shareholders.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in investment holdings, property development and property investment.

As stated in the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the Group recorded revenue of approximately HK\$1.2 million in the first half of 2020, which was mainly generated from properties rental income, and the Group recorded unaudited consolidated net assets of approximately HK\$2,012.0 million as at 30 June 2020. The cash and cash equivalents balance of the Group was approximately HK\$83.8 million and the Group recorded net current liabilities of approximately HK\$935.5 million as at 30 June 2020. Meanwhile, the Group only generated negative operating cash flows before working capital changes in each of the three years ended 31 December 2019.

As further stated in the 2020 Interim Report, the progress of work and inspection of the Shenzhen Mix Park Project had to be postponed. The certificate for completion for the whole project was issued in June 2020 and the purchasers of the individual units are expected to be delivered vacant possession after the completion of internal decoration of the units in 2021. As at 30 September 2020, approximately 86% of the residential units of the project had been presold, the Group will continue to sell the remaining units of the project. Based on the development and selling progress of the project, the expected tax and construction fees to be paid and loan repayment, it is currently expected that no significant net operating cash inflow would be generated from the aforesaid project in the first half of 2021.

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Taking into account, among other things, the financial position and expected operating cash flow to be generated by the Group, and given the prevailing market prices and trading volume of the Shares and the net current liabilities position of the Group, it may not be favourable to have a fund raising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required. After the Company's enquiry of certain brokerage houses with no favourable responses, the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Convertible Bond. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Convertible Bond principally through the entering into the Subscription Agreement.

The Company has also considered alternative debt financing to settle the Existing Convertible Bond. In respect of bank borrowings, the Company did explore opportunities to seek for potential banking facilities or bank loans and has approached certain financial institutions. However, up to the date of the Subscription Agreement, the Company did not receive any positive response or proposals from the financial institutions.

The outstanding principal amount of the Existing Convertible Bond on the Completion Date will first be offset by the Deemed Settlement Amount as at 31 December 2020. The remaining balance of the outstanding principal amount of the Existing Convertible Bond on the Completion Date will be settled through the issue of the New Convertible Bond on the Completion Date. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Convertible Bond.

The Group would have to incur further interest expenses under the New Convertible Bond and the potential conversion of the New Convertible Bond upon exercise of the Conversion Rights by the holder(s) of the New Convertible Bond would bring dilution to the current shareholding interests of the Shareholders. However, further taking into account that: (i) the full settlement of the outstanding principal amount of the Existing Convertible Bond through the aforesaid arrangements will not exert immediate cash outflow burden on the Group; (ii) the interest rate of 5% per annum charged under the New Convertible Bond was still below the range of interest rates of the bank loans of the Group as at 31 December 2018 and 2019 of 6.09% to 7% (which were all secured and borne the lowest interest rate among all borrowings of the Group as at 31 December 2019); (iii) the Subscription will secure the continuing financial support from the Subscriber to the Group's business development and operation; and (iv) upon conversion of the New Convertible Bond, the financial position of the Group would be improved, the executive Directors consider that the issue of the New Convertible Bond is an appropriate debt restructuring plan for the Company.

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In view of the above, the Board (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular and excluding Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison who had abstained from voting at the Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder) considers that the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Save as the Existing Convertible Bond, as at the Latest Practicable Date, there were no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

The table below illustrates the shareholding structures of the Company as at the Latest Practicable Date and immediately upon Capital Reorganisation becoming effective and full conversion of (i) the minimum principal amount of the New Convertible Bond of HK\$92,320,000 and (ii) the maximum principal amount of the New Convertible Bond of HK\$102,320,000 at the initial Conversion Price only (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below):

	As at the Latest Practicable Date		Assuming Capital Reorganisation becoming effective and			
	Number of Shares	Approximate %	(i) full conversion of the maximum principal amount of the New Convertible Bond (being HK\$102,320,000)	Approximate %	(ii) full conversion of the minimum principal amount of the New Convertible Bond (being HK\$92,320,000)	Approximate %
			Number of Shares (Note 3)		Number of Shares (Note 3)	
Rhenfield (Note 1)	703,668,236	28.73	70,366,823	18.87	70,366,823	19.53
Ms. Tsang (Note 2)	4,745,301	0.19	128,374,530	34.43	115,874,530	32.16
Mr. Tsang (Note 2)	769,500	0.03	76,950	0.02	76,950	0.02
Ms. Kwok Wai Man Nancy (Note 2)	<u>13,435,500</u>	<u>0.55</u>	<u>1,343,550</u>	<u>0.36</u>	<u>1,343,550</u>	<u>0.37</u>
Sub-total	722,618,537	29.50	200,161,853	53.68	187,661,853	52.08
Directors:						
Kwok Siu Bun	1,500,000	0.06	150,000	0.04	150,000	0.04
Chow Kwai Wa Charmaine	1,950,000	0.08	195,000	0.05	195,000	0.05
Kwok Siu Wa Alison	3,000,000	0.12	300,000	0.08	300,000	0.08
Public Shareholders	<u>1,720,485,595</u>	<u>70.24</u>	<u>172,048,560</u>	<u>46.15</u>	<u>172,048,560</u>	<u>47.75</u>
Total	<u>2,449,554,132</u>	<u>100.00</u>	<u>372,855,413</u>	<u>100.00</u>	<u>360,355,413</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who were deemed to be interested in 703,668,236 Shares as at the Latest Practicable Date pursuant to the Part XV of the SFO.
2. Mr. Tsang and Ms. Kwok Wai Man Nancy are parents of Mr. Tsang Yee and Ms. Tsang.
3. Pursuant to the terms of the New Convertible Bond, the Subscriber has agreed and undertaken to the Company that it shall not exercise any of the Conversion Rights unless the relevant applicable requirements under the Takeovers Code had been or will be duly complied with. Accordingly, scenarios above are shown for illustrative purpose only.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the 12 months prior to the date of the Announcement and up to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber and her close associates in aggregate held 708,413,537 Existing Shares, representing approximately 28.9% of the total number of existing issued Shares. As a substantial Shareholder, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Subscriber, being a Shareholder with material interest in the Subscription, and her close associates will abstain from voting on the proposed resolution to approve the Subscription at the SGM.

The Conversion Shares to be allotted and issued upon exercise of the Conversion Rights pursuant to the New Convertible Bond are proposed to be issued pursuant to a specific mandate to be granted by the Independent Shareholders by way of poll at the SGM.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. Upon completion of the Subscription Agreement, an announcement regarding the principal amount of the New Convertible Bond and the number of Conversion Shares (based on the initial Conversion Price) issuable thereunder will be made by the Company.

LETTER FROM THE BOARD

SGM

Set out on pages SGM-1 to SGM-4 is a notice convening the SGM to be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Thursday, 21 January 2021 at 10:30 a.m. at which resolutions will be proposed to consider and, if thought fit, to approve the Capital Reorganisation, the Subscription Agreement and the respective transactions contemplated thereunder.

Only Shareholders whose names appear on the register of members of the Company on the Record Date are entitled to attend and vote at the SGM. In order to qualify for the entitlement to attend and vote at the SGM, unregistered holders of Shares will ensure that all transfer documents and relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 January 2021.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the resolutions to be proposed at the SGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the SGM in manner prescribed under Rule 13.39(5) of the Listing Rules.

As completion of the Subscription Agreement is conditional upon satisfaction of the respective conditions set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 36 to 37 of this circular and the letter from the Independent Financial Adviser on pages 38 to 67 of this circular which contain their advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors, including the independent non-executive Directors, consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote at the SGM.

The Directors also consider that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the proposed resolution approving the Capital Reorganisation at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board of
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription which has been prepared for the purpose of inclusion in this circular.



鈞濠集團有限公司^{*}
GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

14 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RELATION TO SUBSCRIPTION OF
THE NEW CONVERTIBLE BOND**

We refer to the circular of the Company dated 14 December 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 by the Board as members of the Independent Board Committee to advise you on the terms of the Subscription Agreement and the transactions contemplated thereunder. Red Sun Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 38 to 67 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder and taking into account the independent advice of Red Sun Capital, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

** For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the entering into of the Subscription Agreement by the Company and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Hui Pui Wai Kimber Mr. Liu Chaodong Mr. Wong Sze Lok

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

14 December 2020

*To: The Independent Board Committee and the Independent Shareholders of
Grand Field Group Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF THE NEW CONVERTIBLE BOND

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the New Convertible Bond and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 14 December 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 17 November 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond at the subscription price which will be fully used for the settlement of part of the outstanding principal amount of the Existing Convertible Bond as at the Completion Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The outstanding principal amount of the Existing Convertible Bond will first be offset by the Deemed Settlement Amount as at 31 December 2020 (the “**Settlement Arrangement**”) and the remaining balance will be settled through the issue of the New Convertible Bond on the Completion Date, on a dollar-for-dollar basis. The outstanding principal amount under the Existing Convertible Bond was HK\$112,320,000 as at the date of the Subscription Agreement and is expected to be partially offset under the Settlement Arrangement and will then remain unchanged up to and until the Completion Date. The Deemed Settlement Amount to be offset under the Settlement Arrangement was approximately HK\$12.6 million as at 30 September 2020, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020.

Completion of the Subscription Agreement shall take place on the Completion Date (or such other date as may be agreed between the respective parties) and the completion of Subscription Agreement is subject to the satisfactory completion of the conditions precedent to the Subscription. As at the Latest Practicable Date, none of the conditions precedent of the Subscription Agreements has been fulfilled.

The Conversion Price is HK\$0.80 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation), subject to adjustments and the New Convertible Bond will carry interest of 5% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In case of delay in paying the principal or interest, the default interest rate will be 8% per annum. The New Convertible Bond will mature at 18 months from the date of issue.

As at the Latest Practicable Date, the Subscriber and her close associates in aggregate held 708,413,537 Existing Shares, representing approximately 28.9% of the total number of existing issued Shares. As a substantial Shareholder, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Subscriber, being a Shareholder with material interest in the Subscription, and her close associates will abstain from voting on the proposed resolution to approve the Subscription at the SGM.

Each of Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison, being the Directors, had abstained from voting on the Board resolutions for approving the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok, has been formed to advise the Independent Shareholders in relation to the Subscription. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscription and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Subscription is on normal commercial terms and fair and reasonable and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote on the proposed resolutions in respect thereof at the SGM.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors jointly and severally 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, 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 the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

OUR INDEPENDENCE

We are independent from and not connected with the Company nor any other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the proposed issue of the New Convertible Bond under specific mandate and transactions contemplated under it. Save for our appointment as the independent financial adviser for the connected transaction in relation to the loan settlement involving issue of convertible bonds under specific mandate, the circular of which was dated 25 January 2019, there was no engagement between the Company and Red Sun Capital Limited in the last two years.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION AGREEMENT

In arriving at our opinion in respect of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Principal business and financial information of the Group

a) Background information of the Group

The Group is principally engaged in investment holdings, property development and property investment. Set out below are the key financial information of the Group for (i) the two years ended 31 December 2019 and 2018 as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"); and (ii) the six months ended 30 June 2019 and 2020 as extract from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"):

Table 1: Consolidated financial result of the Group

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2018	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Segment revenue				
Property development	–	64,530	–	–
Property investment	<u>3,542</u>	<u>3,489</u>	<u>1,187</u>	<u>1,739</u>
Consolidated	<u><u>3,542</u></u>	<u><u>68,019</u></u>	<u><u>1,187</u></u>	<u><u>1,739</u></u>
Segment results				
Property development	–	49,674	–	–
Property investment	<u>(164,406)</u>	<u>507,064</u>	<u>843</u>	<u>1,739</u>
Consolidated	<u><u>(164,406)</u></u>	<u><u>556,738</u></u>	<u><u>843</u></u>	<u><u>1,739</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December		For the six months ended 30 June	
	2019	2018	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
(Loss)/profit before tax	<u>(218,095)</u>	<u>476,642</u>	<u>(29,412)</u>	<u>(24,914)</u>
(Loss)/profit for the year/period	<u>(167,824)</u>	<u>352,722</u>	<u>(28,364)</u>	<u>(21,622)</u>
Attributable to:				
Owners of the Company	<u>(101,219)</u>	<u>193,255</u>	<u>(19,637)</u>	<u>(17,478)</u>
Non-controlling interests	<u>(66,605)</u>	<u>159,467</u>	<u>(8,727)</u>	<u>(4,144)</u>

We note from the 2019 Annual Report that the revenue decreased from approximately HK\$68.0 million for the year ended 31 December 2018 to approximately HK\$3.5 million for the year ended 31 December 2019, representing a decrease of approximately HK\$64.5 million or 94.9%.

During the year ended 31 December 2019, the Group recorded a loss of approximately HK\$167.8 million (2018: profit of approximately HK\$352.7 million). The downturn was mainly due to fair value loss recorded on investment properties of Shenzhen Buji Zongke YunDuan project and Xuzhou project. Due to the aforesaid reason, the Group recorded a loss attributable to owners of the Company for the year ended 31 December 2019 of approximately HK\$101.2 million (2018: profit of approximately HK\$193.3 million).

The revenue decreased from approximately HK\$1.7 million for the six months ended 30 June 2019 to approximately HK\$1.2 million for the six months ended 30 June 2020, representing a decrease of approximately HK\$0.5 million or 29.4%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the six months ended 30 June 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$19.6 million (six months ended 30 June 2019: approximately HK\$17.5 million), representing an increase in loss of approximately HK\$2.1 million. The increase in loss was mainly due to reduction in revenue and income tax credit, increase in finance cost mainly in relation to the Shenzhen Buji Zongke YunDuan project and increase in share of loss of an associate incurred during the six months ended 30 June 2020.

Table 2: Consolidated financial position of the Group

	As at 31 December 2019	As at 30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(unaudited)
Non-current assets	3,491,520	3,495,251
Current assets	1,090,696	1,067,295
Total assets	4,582,216	4,562,546
Non-current liabilities	671,081	547,800
Current liabilities	1,821,535	2,002,786
Total liabilities	2,492,616	2,550,586
Net assets	2,089,600	2,011,960

As at 30 June 2020, the Group had total assets of approximately HK\$4,562.5 million, total liabilities of approximately HK\$2,550.6 million.

Among the Group's current assets of approximately HK\$1,067.3 million as at 30 June 2020, which mainly included (i) approximately HK\$811.8 million was properties for sale under development; (ii) approximately HK\$28.0 million was properties for sale; (iii) approximately HK\$121.3 million was other receivables, deposits and prepayments; and (iv) approximately HK\$83.8 million was cash and cash equivalents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) Reasons for and benefits of the Subscription and use of proceeds

In arriving at our advice with regard to the entering into of the Subscription Agreement, we have taken into consideration the following factors and reasons:

a) Group overview

As stated in the 2020 Interim Report, the Group recorded revenue of approximately HK\$1.2 million in the first half of 2020, which was mainly generated from properties rental income, and the Group recorded unaudited consolidated net assets of approximately HK\$2,012.0 million as at 30 June 2020. The cash and cash equivalents balance of the Group was approximately HK\$83.8 million and the Group recorded net current liabilities of approximately HK\$935.5 million as at 30 June 2020. Meanwhile, the Group only generated negative operating cash flows before working capital changes in each of the three years ended 31 December 2019.

As further stated in the 2020 Interim Report, the progress of work and inspection of the Shenzhen Mix Park Project had to be postponed. The certificate for completion for the whole project was issued in June 2020 and the purchasers of the individual units are expected to be delivered vacant possession after the completion of internal decoration of the units in 2021. As at 30 September 2020, the Directors confirmed that approximately 86% of the residential units of the project had been presold, representing approximately RMB1,257.3 million, and the Group will continue to sell the remaining units of the project. Based on the development and selling progress of the project, the expected tax and construction fees to be paid and loan repayment, it is currently expected that no significant net operating cash inflow would be generated from the aforesaid project in the first half of 2021.

Taking into account, among other things, the financial position and expected operating cash flow to be generated by the Group, and given the prevailing market prices and trading volume of the Shares and the net current liabilities position of the Group, it may not be favourable to have a fund raising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required. After the Company's enquiry of certain brokerage houses with no favourable responses, the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Convertible Bond. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Convertible Bond principally through the entering into the Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The outstanding principal amount of the Existing Convertible Bond will first be offset by the Deemed Settlement Amount as at 31 December 2020 (the “**Settlement Arrangement**”) and the remaining balance will be settled through the issue of the New Convertible Bond on the Completion Date on a dollar-for-dollar basis. The outstanding principal amount under the Existing Convertible Bond was HK\$112,320,000 as at the date of the Subscription Agreement and is expected to be partially offset under the Settlement Arrangement and will then remain unchanged up to and until the Completion Date.

The Deemed Settlement Amount was principally arisen from a deed of indemnity entered into on 28 April 2017 as part of the acquisition of the entire issued share capital of Intra Asia Limited by the Group in relation to the conditional sale and purchase agreement dated 24 February 2017 entered into between the Company, Surplus Full Development Limited (a wholly-owned subsidiary of the Company), the Subscriber and Mr. Tsang (the “**2017 Acquisition Agreement**”), pursuant to which the Group would be indemnified for, inter alia, any compensation (including interest), claim, expense and charge arose by ongoing or potential legal proceedings or lawsuits concerning Intra Asia Limited and its subsidiaries (the “**Intra Asia Group**”) or the relevant property before the relevant completion date. Further details of the 2017 Acquisition Agreement were set out in the circular of the Company dated 30 March 2017. The Deemed Settlement Amount represented the net amount receivable from the Subscriber arising from the actual amount paid by the Group but excluding any provisional amounts (being those not being paid by the Group) as at 31 December 2020. Such provisional amounts and/or further compensation or claims concerning the Intra Asia Group or the relevant property under the deed of indemnity would be settled by the Subscriber with the Group separately. As at 30 September 2020, the Deemed Settlement Amount to be offset under the Settlement Arrangement was approximately HK\$12.6 million, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020.

After taking into account that: (i) the full settlement of the outstanding principal amount of the Existing Convertible Bond will not exert immediate cash outflow burden on the Group; (ii) the interest rate of 5% per annum charged under the New Convertible Bond was still below the range of interest rates of the secured borrowings of the Group; (iii) the Subscription will secure the continuing financial support from the Subscriber to the Group’s business development and operation; and (iv) upon conversion of the New Convertible Bond, the financial position of the Group would be improved, the Directors consider that the issue of the New Convertible Bond is an appropriate way of financing for the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, the Directors consider, and we concur, that the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

b) Financing alternatives

As stated in the Letter from the Board, the Company has considered various alternative means of financing apart from the issue of the New Convertible Bond:

(i) Debt financing from bank or money lenders

With respect to bank borrowings, the Company has explored opportunities to seek for potential banking facility or bank loans from 3 financial institutions. However, up to the Latest Practicable Date, the Company did not receive any positive response or proposals from the financial institutions regarding bank loans or banking facilities.

The ability for a company to obtain bank borrowings generally and largely depends on the company's profitability, financial position and the then prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with bank and usually requires pledge of assets by the borrower. Taking into account that the Group recorded (i) loss for the year/period of approximately HK\$167.8 million and HK\$28.4 million for the year ended 31 December 2019 and for the six months ended 30 June 2020, respectively; (ii) net current liabilities of approximately HK\$935.5 million as at 30 June 2020; (iii) total liabilities of approximately HK\$2,492.6 million, representing approximately 54.4% of the total assets of the Group as at 31 December 2019; (iv) total liabilities of approximately HK\$2,550.6 million, representing approximately 55.9% of the total assets of the Group as at 30 June 2020; and (v) financing cost of approximately HK\$4.7 million and HK\$8.2 million for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively, which has been one of the major operating cost item and further fund raising by loan would further increase the interest burden of the Company, we are of the view that it is unlikely for the Group to (i) generate sufficient operating cash inflow from its daily operation in order to alleviate its current financial burden; and (ii) obtain additional mid-term or long-term bank loans of meaningful loan size (i.e. approximately HK\$112.3 million) timely with favourable terms due to the reasons as discussed above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Other equity financing

The Company had explored the possibility with 3 securities brokerage firms of placement, rights issue and open offer as alternative. However, up to the Latest Practicable Date, the Company did not receive any positive response or proposals.

In light of the financial performance of the Group for the recent financial years and the thin liquidity of the Shares, if the Company were to raise the necessary funds by way of placing or rights issue or open offer of new Shares, the subscription price would have to be set at a deeper discount to the prevailing market price of the Shares so as to attract subscription by the potential investors or Shareholders. As such, we have reviewed recent proposed rights issue and open offer by the companies listed on the Stock Exchange and the subscription prices of such companies were generally issued at a discount to their respective closing prices on the last trading day.

In addition, placing or rights issue or open offer of new Shares is subject to underwriting uncertainty and market risk and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter and it may incur a higher transaction cost (such as underwriting and other fees). Furthermore, placing or rights issue or open offer of new Shares will have immediate dilution effect on the shareholding interests of the non-participating Shareholders while the dilution effect of the New Convertible Bond will only occur when the holders exercise the conversion rights attaching to the New Convertible Bond.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have independently reviewed rights issues announced by companies listed on the Stock Exchange during the three-month period prior to the date of the Subscription Agreement i.e. 16 November 2020. Based on such search criteria, we have identified 13 rights issues (the “**Rights Issue Comparable(s)**”) for comparison purposes. Although the circumstances surrounding and the businesses of such Rights Issue Comparables may be different from those relating to the Company, we consider that the three-months period is adequate and fair and reasonable to capture the prevailing market conditions in relation to rights issue transactions which the Right Issues Comparables, for illustrative purpose only, as a review of the rights issue transactions within the previous three-month period is more demonstrative of the prevailing market practices. To the best of our knowledge, the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues, details of which are set out in the table below. Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, we consider that the Rights Issue Comparables can serve as a market reference for recent market practices in relation to the subscription prices under rights issues as compared to the relevant prevailing market share prices given our analysis is mainly concerned with the comparison of the Conversion Price to closing price in order to gain an insight to the reasonableness of the Conversion Price in respect of the Rights Issue and provide the Shareholders of the Company a general trend and data of rights issue exercises in the market to make decision with respect to the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Stock code	Premium/ (Discount) of subscription price to the closing price on the last trading day (%)	Underwriting commission (%)
10-Nov-20	China Fortune Holdings Limited	110	(5.36)	non-underwritten basis
5-Nov-20	Asia-Pac Financial Investment Company Limited	8193	(21.88)	2.5
4-Nov-20	Top Form International Limited	333	(10.70)	Nil
27-Oct-20	Longhui International Holdings Limited	1007	(29.00)	1.5
19-Oct-20	CHK Oil Limited (<i>note 1</i>)	632	26.58	non-underwritten basis
16-Oct-20	The Hong Kong Building and Loan Agency Limited	145	(13.90)	1.5
25-Sep-20	Green International Holdings Limited	2700	(17.81)	2.5
18-Sep-20	Wan Cheng Metal Packaging Company Limited	8291	(19.40)	non-underwritten basis
11-Sep-20	Amber Hill Financial Holdings Limited	33	(23.66)	non-underwritten basis
3-Sep-20	Aeso Holding Limited	8341	(16.70)	non-underwritten basis
28-Aug-20	Royal Century Resources Holdings Limited	8125	(25.00)	2.00
28-Aug-20	Milan Station Holdings Limited	1150	(10.57)	2.00
24-Aug-20	Wealth Glory Holdings Limited	8269	(11.10)	2.50
	Minimum	(29.00)		
	Maximum	26.58		
	Average	(13.73)		
	Median	(16.70)		

Excluding CHK Oil Limited which we consider as outlier (*note 1*)

Minimum	(29.00)
Maximum	(5.36)
Average	(17.09)
Median	(17.26)

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Note:

- Based on the announcement dated 19 October 2020 published by CHK Oil Limited, the subscription price of the rights shares was trading at a premium to the market prices, however, it is noted that the subscription price is equivalent to the par value of the shares of CHK Oil Limited and there is restriction on setting its subscription price (i.e. according to the relevant Bermuda laws, it shall not issue shares at a price below its par value of HK\$0.20 per share). Accordingly, we consider CHK Oil Limited as an outlier and has been excluded for further analysis.

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As shown in the above table, the subscription prices of most of the Rights Issue Comparables are set at discounts to the respective closing prices per share on the last trading day ranging from a discount of approximately 29.0% to a premium of approximately 26.58% (the “**Market Range**”) with an average discount and median discount of approximately 13.73% and 16.70%, respectively.

The initial Conversion Price of HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation) represents a premium of approximately 2.6% over the adjusted closing price of HK\$0.78 per New Share (based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation) (“**LTD Premium**”), which is within the Market Range and more premium than the average discount of approximately 13.73% of the Rights Issue Comparables (“**LTD Average Discount**”) and the median discount of approximately 16.70% of the Rights Issue Comparables (“**LTD Median Discount**”).

In addition, after excluding the outlier (i.e. CHK Oil Limited) from the Rights Issue Comparables (the “**Adjusted Rights Issue Comparables**”), the discounts to the respective closing prices per share on the last trading day ranging from a discount of approximately 29.0% to approximately 5.36% (the “**Adjusted Market Range**”) with an average discount approximately 17.09% (the “**Adjusted LTD Average Discount**”) and median discount of 17.26% (the “**Adjusted LTD Median Discount**”). The LTD Premium is more premium to the Adjusted Market Range and the Adjusted LTD Average Discount and Adjusted LTD Median Discount.

As shown in the above table, there were 7 out of 13 Rights Issue Comparables incurred certain percentage of underwriting commission. Although the remaining Rights Issue Comparables were performed under non-underwritten basis or no underwriting commission incurred, there were required to incur other additional costs for various professional parties to handle the subscription of rights issues by numbers of shareholders and longer time would be incurred. Therefore, Directors are of the view and we concur that lower transaction costs would be incurred by the proposed issue of New Convertible Bond.

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Having considered that (i) the Group has recorded net loss of approximately HK\$167.8 million for the year ended 31 December 2019 which may render it difficult to obtain financing on terms satisfactory to the Group; (ii) it is difficult for the Company to procure placing agent or underwriters for placing of new shares or raise funds through rights issue or open offer and which would incur higher transaction costs and a deeper discount of the conversion price would be set; (iii) the Subscriber have indicated its willingness to subscribe for the New Convertible Bond; and (iv) the Directors had exercise due and careful consideration to choose the best financing method available to the Company including, among others, placing of Shares, rights issue, open offer and debt financing, we concur with the Directors that the issuance of New Convertible Bond to the Subscriber would be the most appropriate and timely fund raising method to meet the financial needs of the Company, and is fair and reasonable and in the interests of the Shareholders as a whole.

Our view

Based on the above and having considered in particular that the Subscriber have indicated its willingness to subscribe for the New Convertible Bond while bank borrowings would be difficult to obtain or other equity financing alternatives such as placing, rights issue or open offers might not have enough market demand and all of the aforementioned fund raising alternatives are not likely to be in favourable terms according to the Directors, we concur with the Directors that the entering into of the Subscription Agreement is 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.

(3) Principal terms of the Subscription Agreement

Key terms of the Subscription Agreement and background of the Subscriber

On 17 November 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond in the principal amount of up to HK\$102.32 million (being the maximum aggregate amount of the outstanding principal amount owing by the Company to the Subscriber under the Existing Convertible Bond, which is HK\$112,320,000 as at the date of the Subscription Agreement, minus the Deemed Settlement Amount, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020). The final principal amount of the New Convertible Bond will be determined by reference to the outstanding principal amount of the Existing Convertible Bond as at the Completion Date after netting off the Deemed Settlement Amount as at 31 December 2020. Please refer to the Letter from the Board in relation to other principal terms of the Subscription Agreement.

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The initial conversion price is HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation), subject to adjustments as provided in the New Convertible Bond instrument in each of cases stated in the Letter from the Board, and the New Convertible Bond will carry an interest of 5% per annum on the principal amount from time to time outstanding, and, unless previously redeemed, repaid or converted into Shares, payable on every six calendar months. In case of delay in paying the principal or interest, the default interest rate will be 8% per annum and will mature on the 18 months from the date of issue of the New Convertible Bond. Further details of the Subscription Agreements are set out in the Letter from the Board.

As at the Latest Practicable Date, the Subscriber and her controlled corporation namely, Rhenfield, together holds 708,413,537 Existing Shares in aggregate, representing approximately 28.9% of the total number of existing issued Shares. Accordingly, the Subscriber is a substantial shareholder of the Company and a connected person of the Company under the Listing Rules.

The Company has conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the New Convertible Bond at the subscription price which will be fully used for the settlement of part of the outstanding principal amount of the Existing Convertible Bond as at the Completion Date.

The outstanding principal amount of the Existing Convertible Bond will first be offset by the Deemed Settlement Amount as at 31 December 2020 (the “**Settlement Arrangement**”) and the remaining balance will be settled through the issue of the New Convertible Bond on the Completion Date, on a dollar-for-dollar basis. The outstanding principal amount under the Existing Convertible Bond was HK\$112,320,000 as at the date of the Subscription Agreement and is expected to be partially offset under the Settlement Arrangement and will then remain unchanged up to and until the Completion Date. The Deemed Settlement Amount to be offset under the Settlement Arrangement was approximately HK\$12.6 million as at 30 September 2020, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020.

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The holder(s) of the New Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or (iii) the holder(s) of the New Convertible Bond or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations. Any notice of conversion which may cause the Company to fall under the aforementioned scenario shall be void.

Assuming full conversion of the maximum principal amount of the New Convertible Bond of HK\$102.32 million (being the maximum aggregate amount of the outstanding principal amount owing by the Company to the Subscriber under the Existing Convertible Bond, which is HK\$112,320,000 as at the date of the Subscription Agreement, minus the Deemed Settlement Amount, which is expected to be not less than HK\$10.0 million and not more than HK\$20.0 million as at 31 December 2020) at the initial Conversion Price, a total of maximum 127,900,000 New Shares (assuming the Capital Reorganisation has become effective) with aggregate nominal value of HK\$1,279,000 will be issued, representing approximately 52.2% of the total number of existing issued Shares (taking into account the effect of the Capital Reorganisation) and approximately 34.3% of the total number of issued Shares as enlarged by the issue of the Conversion Shares (taking into account the effect of the Capital Reorganisation).

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(4) Evaluation of the Conversion Price

The initial Conversion Price, being HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation). As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares, the operation and financial performance of the Group, the current market conditions and the consolidated net current liabilities position of the Company as at 30 June 2020. In considering the fairness and reasonableness of the Conversion Price, we have conducted the following analyses:

We note that the initial Conversion Price of HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation) represents:

- (i) a premium of approximately 2.6% over the adjusted closing price of HK\$0.78 per New Share (based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (ii) a premium of approximately 2.8% over the adjusted average closing price of approximately HK\$0.778 per New Share (based on the average closing price of approximately HK\$0.0778 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iii) a premium of approximately 4.7% over the adjusted average closing price of approximately HK\$0.764 per New Share (based on the average closing price of HK\$0.0764 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iv) a discount of approximately 4.8% to the adjusted closing price of HK\$0.84 per New Share (based on the closing price of HK\$0.084 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation).

We compared the respective premium/discount over/to the closing price of the shares of Comparable Issues (to be defined below) on the relevant date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Premium/(Discount) – Last**”), and on last five (5) consecutive trading day (the “**Premium/(Discount) – Five**”) as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount)- Last and Premium/(Discount) – Five represented by the Conversion

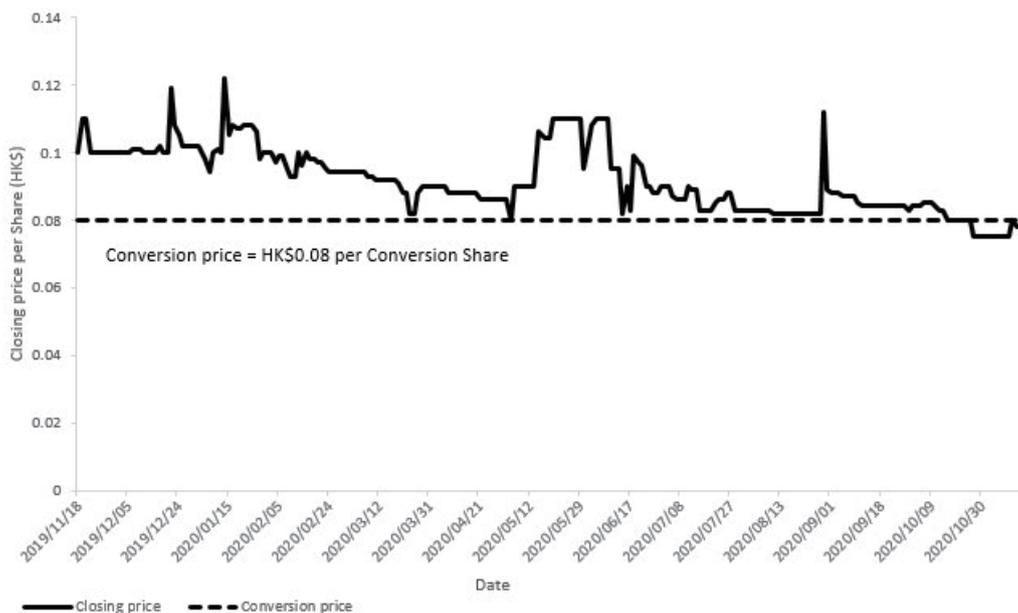
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Price. The minimum discount noted in the market was 5.06% and 9.09% for the Premium/(Discount) – Last and the Premium/(Discount) – Five, respectively. Please refer to note (iii) of this section for further details.

Based on the above, we noted that the Conversion Price of HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation) represents a premium of approximately 2.8% over the adjusted average closing price of approximately HK\$0.778 per New Share (based on the average closing price of approximately HK\$0.0778 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation) which the Premium/(Discount) – Last and Premium/(Discount) – Five represented by the Conversion Price is within the range of the Premium/(Discount) – Last of the Comparable Issues (to be defined below) and the Premium/(Discount) – Five of the Comparable Issues.

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelve-month period ended on and including the date of the Subscription Agreement (the “**Review Period**”):

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



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

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As illustrated in the diagram above, the closing prices of the Existing Shares exhibited a generally declining trend during the Review Period. Starting from HK\$0.1 per Existing Share at the beginning of the Review Period, the closing price of the Existing Shares had been decreasing and reached HK\$0.075 per Existing Share on 28 October 2020 before climbing back to HK\$0.078 per Existing Share on 12 November 2020.

During the Review Period, the closing prices of the Existing Shares ranged from HK\$0.075 per Existing Share (equivalent to HK\$0.75 per New Share after taking into account the effect of the Capital Reorganisation) to HK\$0.122 per Existing Share (equivalent to HK\$1.22 per New Share after taking into account the effect of the Capital Reorganisation). The initial Conversion Price of HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation) therefore falls within the highest and lowest closing prices of the Shares, and represents a discount of 34.4% and a premium of 6.7% to the highest and lowest closing price of the Shares, respectively, during the Review Period. Meanwhile, although the Conversion Price represents a discount of approximately 12.8% to the average closing price during the Review Period of HK\$0.092 per Existing Share (equivalent to HK\$0.92 per New Share after taking into account the effect of the Capital Reorganisation) and had been above the closing prices of the Shares on a majority of the trading days throughout the Review Period, during the recent 30 trading days up to and including the date of the Subscription Agreement, the Conversion Price had been above or equal to the closing prices of the Shares on 22 trading days out of the 30 trading days with an average closing price of approximately HK\$0.077 per Existing Share during the recent 30 trading days up to and including the date of the Subscription Agreement (equivalent to HK\$0.77 per New Share after taking into account the effect of the Capital Reorganisation).

According to the 2020 Interim Report, the net asset value attributed to the equity holders of the Company amounted to approximately HK\$1,080,210,000 as at 30 June 2020 and net asset value per Share attributed to the equity holders of the Company amounted to approximately HK\$0.44 per Shares (based on 2,449,554,132 Shares in issue as at the Latest Practicable Date) (the “**Adjusted NAV per New Share**”). It was noted that the Conversion Price, being HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation, represented a discount of approximately 81.9% over the net asset value per Share attributed to the equity holders of the Company as at 30 June 2020.

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The Directors noted that the Conversion Price represents a discount of approximately 81.9% to the Adjusted NAV per New Share. While it was also noted that (i) the Shares had been consistently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past two years immediately preceding the date of the Subscription Agreement calculated based on the consolidated net assets attributable to owners of the Company as at 31 December 2018, 31 December 2019 and 30 June 2020 and the weighted average number of Shares in issue in the respective periods (ranging from a minimum discount of approximately 75.8% to a maximum discount of approximately 87.1%); (ii) it is not uncommon for the shares of property development companies to trade at a considerable discount to their respective net assets value per share; and (iii) over 70% of the total assets of the Group as at 30 June 2020 were investment properties which was illiquid in nature. Therefore, both the Subscriber and the Company considered that the prevailing market price of the Shares would be a more appropriate reference, instead of the Adjusted NAV per New Share.

The Conversion Price was determined with reference to the prevailing market prices of the Shares after and at arm's length negotiations between the Company and the Subscriber and the Directors are of the view that determining the Conversion Price with reference of net asset value attributable to the equity holders of the Company would be difficult to encourage the Subscriber to subscribe for the New Convertible Bond and convert the New Convertible Bond into Shares as the net asset value per Share attributed to the equity holders of the Company was significantly higher than the prevailing market prices of the Shares and this would not be in the interests of the Company and the Shareholders. On the contrary, the Conversion Price determined with reference to the prevailing market prices of the Shares instead of net asset value which would encourage the Subscriber to exercise the conversion rights attaching to the New Convertible Bonds upon maturity of the New Convertible Bond and the Company would have no cash pressure on loan repayment to the Subscriber and the gearing position of the Company would be improved through the reduction of interest-bearing liabilities. Therefore, the Directors are of the view and we concur that the Conversion Price determined with reference to the prevailing market prices of the Shares instead of net asset value is fair and reasonable and in the interests of the Company and the Shareholders.

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(i) *Trading liquidity of Shares*

We have reviewed the trading volume data in respect of the Shares during the Review Period and up to and including the Latest Practicable Date as illustrated in the table below.

Set out in the table below is a summary of the monthly/period trading volume of the Shares and the percentages of such monthly/period trading volume to the issued Shares during the Review Period:

	Total trading volume of the Shares <i>Number of Shares</i>	Number of trading days in the month/ period <i>Days</i>	Average daily trading volume of the Shares <i>Number of Shares</i>	Average daily trading volume as a percentage of the then total number of Shares issued <i>Approximately percentage</i>
2019				
November (starting from 18 November)	2,870,000	10	287,000	0.012%
December	7,667,000	20	383,350	0.016%
2020				
January	8,628,000	20	431,400	0.018%
February	2,814,000	20	140,700	0.006%
March	1,850,000	22	84,091	0.003%
April	874,800	19	46,042	0.002%
May	2,850,000	20	142,500	0.006%
June	1,617,000	21	77,000	0.003%
July	10,320,000	22	469,091	0.019%
August	4,761,960	21	226,760	0.009%
September	348,000	22	15,818	0.001%
October	958,000	18	53,222	0.002%
November	6,678,000	21	318,000	0.013%
December (up to and including the Latest Practicable Date)	1,056,000	7	150,857	0.006%
Average for Review Period				0.008%

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

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We note from the above table that the average daily trading volume in the Review Period ranged from a minimum of approximately 0.001% of total number of issued Shares (in September 2020) to a maximum of approximately 0.019% of total number of issued Shares (in July 2019). We also note from the above table that trading in the Shares had been rather thin during the Review Period. The trading volume of the Shares is low and the relatively thin trading liquidity may hinder third parties underwriter to participate when the Company try to pursue fund raising exercise by way of placement, rights issue or open offer.

(ii) Market comparable analysis

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) under specific mandate by companies listed on the Stock Exchange (excluding the issuance for acquisition) that were announced during the six-month period prior to the date of the Subscription Agreement (the “**Comparable Issues**”) by searching through published information on the Stock Exchange’s website. We consider that the six-month period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Comparable Issues without any artificial selection or filtering on our part represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong. Based on such criteria, we have identified 14 Comparable Issues on an exhaustive basis. Although the Comparable Issues may have different sizes compared to that of the Company, we consider that the Comparable Issues are fair and representative samples, as we are of the view that including Comparable Issues of different sizes can reflect a more comprehensive market sentiment in our analysis.

Although the principal businesses, market capitalisations, profitability and financial positions of the companies of the Comparable Issues may be different from those of the Company, we consider that the Comparable Issues were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of convertible bond(s) or convertible note(s) under specific mandate meeting the aforesaid criteria.

We compared the respective Premium/(Discount) – Last and the Premium/(Discount) – Five as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount)- Last and Premium/(Discount) – Five represented by the Conversion Price.

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We set out our findings in the table below:

Company name	Stock code	Date of announcement	Interest rate per annum	Maturity	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement
			(%)	(year)	(%)	(%)
China Regenerative Medicine International Limited	8158	20-Oct-20	Nil	3	(1.48)	0.50
China LotSynergy Holdings Limited	1371	9-Oct-20	8.00	2	9.64	10.07
Wai Chun Bio-Technology Limited	660	21-Sept-20	4.00	3	Nil	(6.25)
China Ocean Industry Group Limited	651	18-Sept-20	10.00	2	8.70	5.71
Chinese Strategic Holdings Limited	8089	14-Sept-20	24.00	1	(14.10)	(14.10)
Eagle Ride Investment Holdings Limited	901	10-Sept-20	8.00	1	23.46	70.45
E-House (China) Enterprise Holdings Limited	2048	31-Jul-20	2.00	1	5.04	1.09
Changyou Alliance Group Limited	1039	29-Jul-20	3.50	3	7.69	4.74
Wai Chun Bio-Technology Limited	660	28-Jul-20	4.00	3	Nil	(9.09)
Value Convergence Holdings Limited	821	24-Jul-20	Nil	3	(4.31)	(4.76)
Green Leader Holdings Group Limited	61	22-Jul-20	Nil	2	Nil	Nil
China Logistics Property Holdings Co., Ltd	1589	29-Jun-20	6.95	5	(5.06) <i>(note 1)</i>	(3.27) <i>(note 1)</i>
Asiaray Media Group Limited	1993	4-Jun-20	4.00	Perpetual	15.00	8.00
Wai Chun Group Holdings Limited	1013	21-May-20	4.00	3	5.88	4.65
		Maximum	24.00	Perpetual	23.46	70.45
		Minimum	Nil	1	(14.10)	(14.10)
		Average	5.60	2.62	3.60	4.68
		Median	4.00	3	2.52	0.25
The Company	115	17-Nov-20	5.00	1.5	2.6	2.8

Source: The website of the Stock Exchange (www.hkex.com.hk) and adopted from the relevant announcements.

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Note:

1. The premium/discount is not explicitly disclosed in the relevant announcement and it has been calculated based on the closing price of the shares on the date of agreement/the average closing price of the shares for the five trading days immediately prior to and including the date of agreement (where applicable) as disclosed on the website of the Stock Exchange.

As illustrated in the table above, we note that (i) the Conversion Price represents a premium of approximately 2.6% over the adjusted closing price of HK\$0.78 per New Share (based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation), which falls within the range of the Premium/(Discount) – Last represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 14.1% to a premium of approximately 23.46%, with an average of a premium of approximately 3.60% and a median of a premium of approximately 2.52%; and (ii) the Conversion Price represents a premium of approximately 2.8% over the adjusted average closing price of approximately HK\$0.778 per New Share (based on the average closing price of approximately HK\$0.0778 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation), which falls within the range of the Premium/(Discount) – Five represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 14.10% to a premium of approximately 70.45%, with an average of a premium of 4.68% and a median of a premium of 0.25%.

Median and average share the same role in understanding the central tendency of a set of numbers. The median is less affected by outliers and skewed data, and is usually the preferred measure of central tendency when the distribution is not symmetrical. The median of the Premium/(Discount) – Last and the Premium/(Discount) – Five represented by the conversion prices of the Comparable Issues were a premium of approximately 2.52% and a premium of approximately 0.25%, respectively, which is broadly in line with the Premium/(Discount) – Last and the Premium/(Discount) – Five represented by the Conversion Price to the closing price as at the date of the Subscription Agreement.

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We note that the interest rates in respect of the Comparable Issues ranged from nil to 24.0% per annum, with an average of approximately 5.60% per annum and a median of approximately 4% per annum. The interest rate of the New Convertible Bond therefore falls within the range of the interest rates of the Comparable Issues and is broadly in line with the average interest rate and median interest rate of the Comparable Issues. As stated in the 2020 Interim Report, the Group incurred interest-bearing borrowings amounted to approximately HK\$591.3 million as at 30 June 2020 and such borrowings carried interest at fixed rates of 6.65% to 25% per annum and we note that the interest rates of New Convertible Bond is lower than the interest rates of the above-mentioned borrowings.

Furthermore, it is also noted that the maturity period of the Comparable Issues ranged from one year to perpetual. The maturity of the New Convertible Bond is the Comparable Issues.

(iii) Our view

The Conversion Price represents a premium to the equity attributable to owners of the Company. Based on the totality of all of the factors mentioned above and having considered in particular that:

- (a) the trading liquidity of the Shares, as analysed above, was at a level that was not sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions;
- (b) the Premium/(Discount) – Last and Premium/(Discount) – Five represented by the Conversion Price are fall within the respective ranges of Comparable Issues;
- (c) the Group has a funding need for its Shenzhen Mix Park Project and redemption the Existing Convertible Bond upon maturity;
- (d) the medians of Premium/(Discount) – Last and Premium/(Discount) – Five represented by the Conversion Price are broadly in line with the respective median of Comparable Issues;
- (e) the interest rate of the New Convertible Bond, being 5.00% per annum, falls within the range of the interest rates of the Comparable Issues and is broadly in line with the average interest rate and median interest rate of the Comparable Issues and is lower than the interest rates of the outstanding borrowings of the Group as at 30 June 2020 and it is agreed by the Company and the Subscriber after arms-length negotiation according to the Directors; and

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- (f) the maturity period of the New Convertible Bond, being 18 months, falls within range of those of the Comparable Issues and it is agreed by the Company and the Subscriber after arms-length negotiation according to the Directors,

we are of the view that the Conversion Price, the interest rate, and the maturity period of the New Convertible Bond are fair and reasonable so far as the Independent Shareholders are concerned.

(5) Financial effects of the Subscription

Effect on the net asset value

Given that the New Convertible Bond, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards.

On the other hand, it is expected that the net asset value of the Company will increase upon conversion of the New Convertible Bond by the Subscriber into Conversion Shares as a result of the decrease in liabilities and increase in share capital if the conversion rights attached to New Convertible Bond are exercised. If the conversion rights attaching to the New Convertible Bond are not exercised upon maturity of the New Convertible Bond, the Company will have to repay the loan to the Subscriber with cash. The net asset value of the Group would therefore be decreased on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

Effect on gearing

According to 2020 Interim Report, the Group's gearing ratio was defined to be interest bearing borrowings over shareholders' equity was approximately 55% as at 30 June 2020. The Directors expect that there will not be any material adverse changes to the gearing of the Group as a result of the issue of New Convertible Bond subject to the new valuation report which to be prepared by an independent valuer.

If the conversion rights attaching to the New Convertible Bond are exercised, the gearing position of the Group would be improved. If the conversion rights attaching to the New Convertible Bond are not exercised upon maturity of the New Convertible Bond, the Company will have to repay the loan to the Subscriber with cash. The gearing position of the Group would still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Effect on liquidity

Since the principal amount for the New Convertible Bond up to HK\$102.32 million will be offset against the amounts due by the Company to the Subscriber under the Existing Convertible Bond, there will be no additional cash or fund injected into the Company upon Completion, which will have no material effect on the Group's cash position.

In addition, the aggregate outstanding principal amount of the Existing Convertible Bond which forms part of the current liabilities of the Group was offset by the New Convertible Bond which shall mature on the second anniversary of the issue date which will form part of the non-current liabilities of the Group, the working capital position would therefore be improved after the replacement.

Effect on earnings

As the New Convertible Bond carries an interest of 5.00% per annum and will mature 18 month from the date of issue of the New Convertible Bond, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expenses on the New Convertible Bond of approximately HK\$5.1 million per annum before maturity or otherwise converted into Conversion Shares, assuming the maximum principal amount of New Convertible Bond of HK\$102,320,000 to be issued.

On the other hand, assuming the conversion option derivative measured at fair value with changes in fair value was recognised in consolidated statement of profit or loss, there would be impact on the Group's earnings due to the fair value measurement at each of the financial year ended upon the maturity of the New Convertible Bond. However, the Directors expects that there will not be any material adverse changes to the earnings of the Group as a result.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

(6) Dilution effect on the shareholding interests of the existing public Shareholders

Save as the Existing Convertible Bond, as at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the shareholding structures of the Company as at the Latest Practicable Date and immediately upon Capital Reorganisation becoming effective and full conversion of (i) the minimum principal amount of the New Convertible Bond of HK\$92,320,000 and (ii) the maximum principal amount of the New Convertible Bond of HK\$102,320,000 at the initial Conversion Price only (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below):

	As at the Latest Practicable Date		Assuming Capital Reorganisation becoming effective and			
			(i) full conversion of the maximum principal amount of the New Convertible Bond (being HK\$102,320,000)		(ii) full conversion of the minimum principal amount of the New Convertible Bond (being HK\$92,320,000)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Rhenfield (Note 1)	703,668,236	28.73	70,366,823	18.87	70,366,823	19.53
Ms. Tsang (Note 2)	4,745,301	0.19	128,374,530	34.43	115,874,530	32.16
Mr. Tsang (Note 2)	769,500	0.03	76,950	0.02	76,950	0.02
Ms. Kwok Wai Man Nancy (Note 2)	<u>13,435,500</u>	<u>0.55</u>	<u>1,343,550</u>	<u>0.36</u>	<u>1,343,550</u>	<u>0.37</u>
Sub-total	722,618,537	29.50	200,161,853	53.68	187,661,853	52.08
Directors:						
Kwok Siu Bun	1,500,000	0.06	150,000	0.04	150,000	0.04
Chow Kwai Wa Charmaine	1,950,000	0.08	195,000	0.05	195,000	0.05
Kwok Siu Wa Alison	3,000,000	0.12	300,000	0.08	300,000	0.08
Public Shareholders	<u>1,720,485,595</u>	<u>70.24</u>	<u>172,048,560</u>	<u>46.15</u>	<u>172,048,560</u>	<u>47.75</u>
Total	<u>2,449,554,132</u>	<u>100.00</u>	<u>372,855,413</u>	<u>100.00</u>	<u>360,355,413</u>	<u>100.00</u>

Notes:

- Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who were deemed to be interested in 703,668,236 Shares as at the Latest Practicable Date pursuant to the Part XV of the SFO.
- Mr. Tsang and Ms. Kwok Wai Man Nancy are parents of Mr. Tsang Yee and Ms. Tsang.
- Pursuant to the terms of the New Convertible Bond, the Subscriber has agreed and undertaken to the Company that it shall not exercise any of the Conversion Rights unless the relevant applicable requirements under the Takeovers Code had been or will be duly complied with. Accordingly, scenarios above are shown for illustrative purpose only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the terms of New Convertible Bond, the holder(s) of the New Convertible Bond shall have the Conversion Rights to convert all or any part of the principal amount of its holding of convertible bonds for conversion shares at any time during the conversion period from the issue date to the maturity date, provided that the Conversion Rights shall not be exercised by the holder(s) of the New Convertible Bond if (a) the holder(s) of the New Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; or (b) the Company will be unable to meet the public float requirements under the Listing Rules; or (c) the holder(s) of the New Convertible Bond or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations. Therefore, the exercise of New Convertible Bond will subject to the above restrictions and the minimum public shareholding requirement under Listing Rules shall not be affected.

Having considered that (i) the principal terms of the New Convertible Bond are fair and reasonable as discussed above; (ii) any form of non-pro rata fund raising activities would also have dilution effect to all Shareholders; and (iii) if the Company satisfies future funding needs through the issue of consideration shares and/or other convertible securities, such issue will still have dilution effect to all existing Shareholders, we concur with the Directors' view that the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, it is 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 would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 type (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in corporate finance industry.

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

2. SHARE CAPITAL AND CONVERTIBLE BOND**(a) Share Capital**

Assuming there is no other change in the authorised and issued share capital of the Company since the Latest Practicable Date, the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Capital Reorganisation becoming effective; and (iii) immediately upon full conversion of the New Convertible Bond (based on the maximum principal amount thereof to be issued) at the initial Conversion Price are as follows:

(i) As at the Latest Practicable Date

Authorised capital:

		<i>HK\$</i>
<u>5,000,000,000</u>	Existing Shares of HK\$0.10 each	<u>500,000,000.00</u>

Issued and fully paid or credited as fully paid:

<u>2,449,554,132</u>	Existing Shares of HK\$0.10 each as at the Latest Practicable Date	<u>244,955,413.20</u>
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(ii) Immediately upon the Capital Reorganisation becoming effective

Authorised capital:

		<i>HK\$</i>
<u>50,000,000,000</u>	New Shares of HK\$0.01 each	<u>500,000,000.00</u>

Issued and fully paid or credited as fully paid:

<u>244,955,413</u>	New Shares of HK\$0.01 each	<u>2,449,554.13</u>
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(iii) Immediately upon full conversion of the New Convertible Bond (based on the maximum principal amount thereof to be issued) at the initial Conversion Price

Authorised capital:

HK\$

<u>50,000,000,000</u>	New Shares of HK\$0.01 each	<u>500,000,000.00</u>
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Issued and fully paid or credited as fully paid:

244,955,413	New Shares of HK\$0.01 each	2,449,554.13
127,900,000	Maximum number of Conversion Shares to be allotted and issued upon full conversion of the New Convertible Bond	1,279,000.00
<u>372,855,413</u>	New Shares of HK\$0.01 each	<u>3,728,554.13</u>

All issued Shares rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and return of capital.

The Conversion Shares to be issued upon exercise of the Conversion Rights will rank *pari passu* in all respects among themselves and with all Shares in issue as at the date of allotment and issue of the Conversion Shares, including in particular, as to voting rights, return on capital and the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange.

(b) Existing Convertible Bond

The Existing Convertible Bond carry the right to convert into the conversion shares at the conversion price of HK\$0.123 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 913,170,731 Existing Shares will be allotted and issued to the Subscriber.

Save as disclosed above, the Company had no other outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into Shares or any agreement or arrangement other than the Subscription Agreement, particulars of which are disclosed in the letter from the Board contained in this circular, as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

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

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Number of underlying shares held pursuant to share options	Total	Approximate percentage of the total number of issued Shares
Kwok Siu Bun	Beneficial Owner	1,500,000 (L)	–	1,500,000 (L)	0.06%
Chow Kwai Wa Charmaine	Beneficial Owner	1,950,000 (L)	–	1,950,000 (L)	0.08%
Kwok Siu Wa Alison	Beneficial Owner	3,000,000 (L)	–	3,000,000 (L)	0.12%

(L): Long position

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive of the Company or their respective associates) or entities who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of persons/ corporations	Capacity/ Nature of interest	Number of Shares held	Number of underlying shares held	Approximate percentage of the total number of issued Shares
Rhenfield (Note 1)	Beneficial Owner	703,668,236	–	28.73%
Tsang Yee	Interest in Controlled Corporation (Note 1)	703,668,236	–	28.73%
Ms. Tsang	Beneficial Owner	4,745,301	2,192,170,731 (Note 2)	89.69%
	Interest in Controlled Corporation (Note 1)	703,668,236	–	28.73%
Lui Kin Chung (Note 3)	Interest of spouse	708,413,537	2,192,170,731 (Note 2)	118.41%
周伟康	Beneficial Owner	148,695,140	–	6.07%

Notes:

- Rhenfield is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang, who were deemed to be interested in 703,668,236 Shares pursuant to the Part XV of the SFO.
- The 913,170,731 Shares that Ms. Tsang are interested in represent the underlying Shares of the aggregate principal amount of the Existing Convertible Bond of HK\$112.32 million at the conversion price of HK\$0.123 per Existing Share on 22 February 2019. Details were set out in the announcements of the Company dated 16 November 2018, 22 January 2019, 14 February 2019 and 22 February 2019 and the circular of the Company dated 25 January 2019. The 1,279,000,000 Shares that Ms. Tsang are interested in represent the underlying Shares of the New Convertible Bond with a maximum principal amount of HK\$102.32 million at the conversion price of HK\$0.8 per New Share (equivalent to HK\$0.08 per Existing Share as adjusted for the effect of the Capital Reorganisation) conditionally agreed to be subscribed by Ms. Tsang pursuant to the Subscription Agreement. Details were set out in the announcement of the Company dated 17 November 2020 and this circular.

3. Mr. Lui Kin Chung is the spouse of Ms. Tsang. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of Shares in which Ms. Tsang is interested.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 to the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

4. SERVICE CONTRACTS

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

5. OTHER INTERESTS OF THE DIRECTORS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group subsisted at the Latest Practicable Date.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the directors of the Group were appointed as directors to represent the interests of the Company and/or the Group.

7. MATERIAL ADVERSE CHANGE

The rapid outbreak of COVID-19 Pandemic in 2020 has put the global economy to a major test. The Group has comprehensively evaluated its impact on sales activities and construction works in various cities in the PRC, with an aim to fully support the prevention and control the novel coronavirus pneumonia pandemic and to effectively cut off the transmission of the virus.

The outbreak has caused short-term impacts on various industries, and sales in the property development market have also been affected by the short-term psychological impact of the public on the outbreak. Therefore, the Group foresees the expected completion date of the property project may be affected. However, there are numerous local governments in China that have introduced relaxation policies to the local property development market to underpin it in order to stabilise the future development of the Chinese property development market. The Group will closely monitor the development of COVID-19 Pandemic and continue to assess the impact of the pandemic on the Group's finances and operations.

Save as disclosed above, the Directors were not aware of any material adverse changes in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

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

Name	Qualifications
Red Sun Capital	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Red Sun Capital did not have any 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. As at the Latest Practicable Date, Red Sun Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the annual reports of the Company for the two financial years ended 31 December 2018 and 2019;
- (b) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (d) the letter of advice from Red Sun Capital, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (e) the Subscription Agreement;
- (f) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (g) this circular.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 1004B, 10/F., Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English text of this circular and accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

NOTICE OF SGM



鈞濠集團有限公司*

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Grand Field Group Holdings Limited (the “**Company**”) will be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, on Thursday, 21 January 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as a special resolution and an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 14 December 2020 (the “**Circular**”).

SPECIAL RESOLUTION

1. “**THAT:-**

- (a) subject to and conditional upon (i) The Stock Exchange granting the listing of, and permission to deal in, the New Shares and (ii) the compliance by the Company with the relevant procedures and requirements under the laws of Bermuda, with effect from the second business day after the date on which this resolution is passed by the shareholders of the Company or the above conditions are fulfilled (whichever is later):
 - i. every ten (10) issued and unissued Existing Shares of par value of HK\$0.10 each shall be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each;
 - ii. the par value of each issued Consolidated Share shall be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled;

* For identification purposes only

NOTICE OF SGM

- iii. every unissued Consolidated Share of par value of HK\$1.00 each in the authorised share capital of the Company shall be sub-divided into one hundred (100) New Shares of par value of HK\$0.01 each; and
 - iv. the credit arising from the Capital Reduction shall be transferred to the contributed surplus account of the Company within the meaning of the Companies Act;
- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Capital Reorganisation.

ORDINARY RESOLUTION

2. **“THAT**

- (a) the conditional subscription agreement dated 17 November 2020 (a copy of which has been produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into between the Company (as issuer) and Ms. Tsang Tsz Nok Aleen (as subscriber) in relation to the settlement of the 3% coupon convertible bond in the sum of HK\$112,320,000 by the Company to the Subscriber (details were disclosed in the Circular, a copy of which is marked “B” and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting) and the transactions contemplated thereunder including but not limited to the issue of 5% coupon convertible bond with a 18 months term under the Subscription Agreement which are convertible into ordinary shares of the Company at the conversion price of HK\$0.8 per Conversion Share (subject to adjustment) to Ms. Tsang pursuant to the Subscription Agreement, and the allotment and issue of the shares of HK\$0.01 each in the share capital of the Company upon conversion of the New Convertible Bond be and are hereby generally and unconditionally approved, confirmed and ratified;

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- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement and any of the transactions contemplated thereunder including but not limited to the issue of the New Convertible Bond; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Conversion Shares.”

By order of the Board of
Grand Field Group Holdings Limited
Ma Xuemian
Chairman

Hong Kong, 14 December 2020

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

*Head office and principal place of
business in Hong Kong:*
Unit 1004B, 10/F,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him, if he is a holder of two or more shares, he may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but he must be present in person at the Meeting to represent the member. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, shall be delivered to the office of the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries 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 any adjournment thereof. Completion and delivery of a form of proxy will not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF SGM

3. In the case of joint holders of a share, if more than one of such joint holders be present at the Meeting either personally or by proxy, the vote of the senior who tenders a vote, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. The resolutions proposed to be approved at the Meeting will be voted by way of poll.
5. In order to be eligible to attend and vote at the Meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 January 2021.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company at <http://www.gfghl.com> and the Stock Exchange at <http://www.hkexnews.hk> to notify members of the date, time and place of the rescheduled meeting.
7. To safeguard the health and safety of Shareholders who might be attending the Meeting in person, the Company will implement the following precautionary measures at the Meeting:
 - Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the Meeting venue. Any person with a body temperature above 37.2 degree Celsius, or is exhibiting any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the Meeting venue and be required to leave the Meeting venue.
 - Shareholders, proxies and other attendees are required to comply with the latest pandemic prevention policy requirements of the Hong Kong Government. Any person who does not comply with relevant requirements will be required to leave the Meeting venue.
 - Shareholders, proxies and other attendees are required to wear surgical face masks inside the Meeting venue at all times. Any person who does not comply with this requirement will be required to leave the Meeting venue.
 - No refreshments or drinks will be served at the Meeting.
8. As at the date of this notice, the board of Directors comprises four executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison; and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok.