
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 to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in DINGYI GROUP INVESTMENT LIMITED (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



DINGYI GROUP INVESTMENT LIMITED

鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

- (1) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;**
- (2) CONNECTED TRANSACTION;**
- (3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;**
- (4) PROPOSED SHARE CONSOLIDATION; AND**
- (5) NOTICE OF SPECIAL GENERAL MEETING**

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



A notice convening the special general meeting of the Company (the “SGM”) to be held at 3:00 p.m. on Friday, 18 August 2023 at Unit 2703, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong is set out on pages IV-1 to IV-3 of this circular.

Whether or not you are able to attend and vote at the SGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

2 August 2023

CONTENTS

	<i>Page</i>
Expected Timetable	1
Definitions	3
Letter from the Board	7
Appendix I — Letter from the Independent Board Committee	I-1
Appendix II — Letter from the Independent Financial Adviser	II-1
Appendix III — General Information	III-1
Appendix IV — Notice of SGM	IV-1

EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Share Consolidation:

Event	Time	Date
Latest time for lodging transfers of Shares to qualify for attendance and voting at the SGM	4:30 p.m.	Monday, 14 August 2023
Register of members closes (both days inclusive)		Tuesday, 15 August 2023 to Friday, 18 August 2023
Latest time for lodging of proxy form for the SGM	3:00 p.m.	Wednesday, 16 August 2023
Expected time and date of the SGM	3:00 p.m.	Friday, 18 August 2023
Announcement of the voting results of the SGM		Friday, 18 August 2023
Effective date of the Share Consolidation		Tuesday, 22 August 2023
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares		Tuesday, 22 August 2023
Commencement of dealings in the Consolidated Shares	9:00 a.m.	Tuesday, 22 August 2023
Original counter for trading in Shares in board lots of 5,000 Shares (in form of existing share certificates) temporarily closes	9:00 a.m.	Tuesday, 22 August 2023
Temporary counter for trading in Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m.	Tuesday, 22 August 2023
Original counter for trading in the Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of new share certificates for Consolidated Shares) re-opens	9:00 a.m.	Tuesday, 5 September 2023

EXPECTED TIMETABLE

Event	Time	Date
Parallel trading in the Shares and Consolidated Shares (in the form of the existing and new certificates) commences	9:00 a.m.	Tuesday, 5 September 2023
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	9:00 a.m.	Tuesday, 5 September 2023
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	4:00 p.m.	Monday, 25 September 2023
Temporary counter for trading in Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m.	Monday, 25 September 2023
Parallel trading in the Shares and the Consolidated Shares (in the form of new and existing certificates) ends	4:10 p.m.	Monday, 25 September 2023
Last day of free exchange of existing share certificates for new share certificates for the Consolidated Shares		Wednesday, 27 September 2023

Note: All times and dates in this circular refer to Hong Kong local times and dates. Shareholders should note that the dates and deadlines specified herein is subject to the satisfaction of all the conditions of the Share Consolidation, including without limitation, the approval of the Share Consolidation by the Shareholders at the SGM, and are therefore for indicative purpose only.

In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

DEFINITIONS

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

“2018 CB”	the 5-year zero coupon convertible bonds issued by the Company to the Subscriber on 26 March 2018 with outstanding principal amount of HK\$980,000,000 due on 26 March 2023;
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday, Sunday and public holiday) on which banks generally in Hong Kong are open for business;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Company”	DINGYI GROUP INVESTMENT LIMITED, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	the completion of the Subscription;
“Completion Date”	the date of Completion;
“connected person(s)”	has the meaning ascribed thereto it under the Listing Rules;
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.1 each in the capital of the Company upon the Share Consolidation becoming effective;
“Conversion Price”	the initial conversion price of HK\$0.4 per Conversion Share, subject to adjustment (or HK\$4 per Conversion Share if the Share Consolidation becoming effective prior to the issue of the Convertible Bonds);
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the Convertible Bonds;

DEFINITIONS

“Convertible Bondholder(s)”	any person(s) who is/are for the time being the registered holder(s) of the Convertible Bond(s);
“Convertible Bonds”	the unsecured 3-year 5.5% p.a. convertible bonds with an aggregate principal amount of HK\$980,000,000 constituted by the Convertible Bonds Instrument to be issued by the Company in accordance with the Subscription Agreement;
“Convertible Bonds Instrument”	the instrument constituting the Convertible Bonds;
“Directors”	directors of the Company from time to time;
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the capital of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$105,000,000 divided into 10,500,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares (or 2,000,000,000 Consolidated Shares after the Share Consolidation becoming effective);
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders;
“Independent Financial Adviser”	Alpha Financial Group Limited, who is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription;
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Subscription Agreement, the transactions contemplated thereunder and the issue of the Convertible Bond and Convertible Shares under the Specific Mandate;

DEFINITIONS

“Issue Date”	the date of issue of the Convertible Bonds;
“Latest Practicable Date”	28 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this 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;
“Maturity Date”	the third (3rd) anniversary of the Issue Date;
“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the terms of the Share Option Scheme;
“SGM”	a special general meeting of the Company to be convened and to consider and, if thought fit, pass the resolutions to approve (i) the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation;
“Share(s)”	the Existing Share(s) or the Consolidated Share(s) (as the case may be);
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.1 each;
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to the resolution passed by the Shareholders at the special general meeting held by the Company on 21 September 2012;
“Shareholder(s)”	holder(s) of the Shares;
“Specific Mandate”	the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Directors by the Independent Shareholders at the SGM;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subscriber”	Mr. Li Kwong Yuk;
“Subscription”	the subscription of the Convertible Bonds by the Subscriber in accordance with the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 23 June 2023 entered into between the Company and the Subscriber in relation to the Subscription;
“subsidiaries”	has the meaning ascribed thereto it under the Listing Rules;
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers; and
“%”	per cent.

LETTER FROM THE BOARD



DINGYI GROUP INVESTMENT LIMITED

鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

Executive Directors:

Mr. Su Xiaonong (*Acting Chairman and Chief Executive Officer*)

Mr. Wang Xiaohua

Mr. Ho Cheong Hang Edmond

Registered office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

Independent non-executive Directors:

Mr. Chow Shiu Ki

Mr. Cao Kuangyu

Mr. Ip Chi Wai

Principal place of business in

Hong Kong:

Unit 2703, 27/F.

Convention Plaza – Office Tower

1 Harbour Road

Wanchai, Hong Kong

2 August 2023

To the Shareholders

Dear Sir/Madam,

- (1) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) CONNECTED TRANSACTION;
(3) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
(4) PROPOSED SHARE CONSOLIDATION; AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements published by the Company on 23 June 2023, 5 July 2023 and 27 July 2023 in relation to (i) issue of the Convertible Bonds under Specific Mandate which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation. The Board proposes to seek (i) the approval of the Independent Shareholders for the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate; and (ii) the approval of the Shareholders for the Increase in Authorised Share Capital and the Share Consolidation.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among others:

- (a) further information of the Subscription;
- (b) details of the Increase in Authorised Share Capital;
- (c) details of the Share Consolidation;
- (d) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and issue of the Convertible Bonds;
- (e) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the issue of the Convertible Bonds; and
- (f) a notice of the SGM for passing the relevant ordinary resolutions.

THE SUBSCRIPTION AGREEMENT

On 23 June 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$980,000,000 convertible into Shares at the initial Conversion Price of HK\$0.4 per Conversion Share.

Date: 23 June 2023 (after trading hours)

Issuer: the Company

Subscriber: Mr. Li Kwong Yuk

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company holding (through himself and his controlled corporation) 3,299,985,405 Shares, representing approximately 44.86% of the total issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under the Listing Rules.

Subscription of the Convertible Bonds and Redemption of the 2018 CB

Subject to the fulfilment of the conditions precedent, the Company shall issue and the Subscribers shall subscribe for the Convertible Bonds with an aggregate principal amount of HK\$980,000,000.

LETTER FROM THE BOARD

The subscription price of the Convertible Bonds in sum of HK\$980,000,000 shall be settled by the Subscriber on Completion by setting it off against the redemption money payable by the Company to the Subscriber in the equivalent sum of HK\$980,000,000 for redemption of the 2018 CB.

Conditions Precedent

Completion of the Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Conversion Shares in respect of the Convertible Bonds to be issued;
- (ii) the passing of resolution(s) by the Independent Shareholders of the Company at the SGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate; and
- (iii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and the transactions contemplated thereunder.

The above conditions precedent (i) & (ii) have not yet been fulfilled as at the Latest Practicable Date. As regards condition precedent (iii), no other consent is required from any government, regulatory authorities or other third parties in connection with the Subscription Agreement.

If the above conditions are not fulfilled on or prior to 31 October 2023 (or such later date as may be agreed between the Subscribers and the Company) (the “**Long Stop Date**”), the obligations of the parties under the Subscription Agreement shall terminate and none of the parties to the Subscription Agreement shall have any claim against the other for any costs or losses save for any prior breach of the Subscription Agreement.

Completion of the Subscription shall not be inter-conditional with the Share Consolidation becoming effective.

Completion

Completion of the Subscription shall take place on or before the third Business Day following the satisfaction of the above conditions or such other date as the Subscriber and the Company may agree.

The Company shall issue the Convertible Bonds to the Subscriber and redeem the 2018 CB simultaneously on Completion.

LETTER FROM THE BOARD

Subscriber's Undertaking

Pursuant to the Subscription Agreement, the Subscriber undertakes that prior to the date of Completion or the Long Stop Date (whichever is the earlier), the Subscriber shall not demand or make any claims against the Company for payment of the outstanding principal amount or any other monies due under the 2018 CB.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal amount:	An aggregate principal amount of HK\$980,000,000
Issue Price:	100% of the principal amount of the Convertible Bonds. The issue price was determined by the Company based on the face value of the Convertible Bonds
Form of the Convertible Bonds and Denomination:	In registered form and in denomination of HK\$10,000,000 each or integral multiples thereof
Interest Rate:	5.5% per annum
Maturity Date:	The third anniversary of the date of issue of the Convertible Bonds
Status:	The Convertible Bonds, when issued, will constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded by mandatory provisions of applicable law (for example, in case of insolvency, preferential creditors including tax owed to government or wages owed to employees)
Conversion Shares:	Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.4, an aggregate of 2,450,000,000 Conversion Shares (or, upon the Share Consolidation becoming effective, at the conversion price of HK\$4 convertible into an aggregate of 245,000,000 Conversion Shares) will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 33.30% of the existing issued share capital of the Company and approximately 24.98% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM

LETTER FROM THE BOARD

Upon full conversion, the aggregate nominal value of the 2,450,000,000 Conversion Shares (or 245,000,000 Consolidated Shares if the Share Consolidation becoming effective) will be in sum of HK\$24,500,000

As illustrated in the section below headed “Effect on the Shareholding Structure”, upon full conversion of the Conversion Shares and assuming that the Company does not issue or repurchase any Shares from the Latest Practicable Date up to and including the date of the conversion, the aggregate shareholding of the public Shareholders will decrease from approximately 42.59% as at the Latest Practicable Date to approximately 31.95% upon full conversion.

Conversion Restrictions:

The Convertible Bondholders shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, (a) it triggers any mandatory offer under Rule 26 of the Takeovers Code; or (b) the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights

Conversion Price:

The initial conversion price of HK\$0.4 per Conversion Share as set out in the terms and conditions of the Convertible Bonds Instrument, subject to adjustment (or HK\$4 per Conversion Share if the Share Consolidation becoming effective prior to the issue of the Convertible Bonds)

Adjustments to the Conversion Price:

The Conversion Price of the Convertible Bonds is subject to adjustment in the following events, namely, share consolidation, share subdivision and capitalisation of profits or reserves

LETTER FROM THE BOARD

- (i) **Consolidation and subdivision:** If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

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

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration

- (ii) **Capitalisation of profits or reserves:** If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued in lieu of the whole or a part of a cash dividend and other than an issue that would amount to Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

LETTER FROM THE BOARD

Ranking of Conversion Shares: The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date

Conversion period: The period commencing from the Issue Date up to the Maturity Date

Redemption: *Redemption at Maturity*

Unless previously converted or cancelled, the Company shall redeem all the outstanding Convertible Bonds on the Maturity Date at a redemption amount equivalent to 100% of the outstanding principal

Early Redemption by Company

The Company may by 7 days' notice in writing at any time from the date of the issue of the Convertible Bonds up to (but excluding) Maturity Date redeem all or part of the Convertible Bonds (selected by it in its sole discretion) at a redemption amount equal to 100% of the principal amount of such Convertible Bonds to be redeemed plus any outstanding accrued interest

LETTER FROM THE BOARD

Redemption on default

If any of the events of default set out in the Convertible Bonds Instrument occurs, the Convertible Bondholders holding 51% or more of the outstanding principal of the Convertible Bonds may by notice in writing to the Company declare that the redemption on default shall apply and then each of the Convertible Bondholders may, at its option, give a redemption notice in respect of all the Convertible Bonds held by it/him to the Company whereupon the outstanding principal amount of such Convertible Bonds shall become immediately due and payable at a redemption amount. Such events of default include (but are not limited to) (i) default of the Company to repay the principal of the Convertible Bonds or inability of the Company to pay its debts; (ii) material default of covenants or breach of warranties and undertakings under the Convertible Bonds Instrument; (iii) winding-up, dissolution or insolvency of the Company; (iv) a receiver is appointed of the whole or major part of the Company's assets; (v) the Convertible Bonds are not in full force and effect; or (vi) the Company's Shares cease to be listed or are suspended from trading on the Stock Exchange for a 30 consecutive trading days

Listing:

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other 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

Transferability of Convertible Bonds:

The Convertible Bonds may be transferred to a third party with the Company's prior written consent (such consent not to be unreasonably withheld)

The Conversion Price of HK\$0.4 per Conversion Share represents:

- (i) a premium of approximately 441% over the closing price of HK\$0.074 per Existing Share as quoted on the Stock Exchange on 23 June 2023, being the date of the Company's announcement in respect of the Subscription;
- (ii) a premium of approximately 463% over the average closing price of approximately HK\$0.071 per Existing Share for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

LETTER FROM THE BOARD

- (iii) a premium of approximately 147% over the net asset value of HK\$0.162 per Existing Share as at 30 September 2022; and
- (iv) a premium of approximately 733% over the closing price of HK\$0.048 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the prevailing market price of the Shares, the historical performance of the Shares price, the financial conditions and trading prospect of the Company and the terms under the 2018 CB. The conversion price under the 2018 CB was HK\$0.8. When the Company negotiated with the Subscriber on the redemption of the 2018 CB by issuance of the Convertible Bonds, the parties needed to negotiate the new conversion price under the Convertible Bonds. The Subscriber indicated to the Company that the previous conversion price of the 2018 CB was way too high compared to the current trading prices of the Shares and asked for a lower conversion price. After further negotiations, and taken into account of the aforesaid various factors, the Company eventually agreed with the Subscriber that the conversion price under the Convertible Bonds be set at HK\$0.4, which represents a 50% reduction of the old conversion price but is still at premium level of the current trading price of the Shares. As shown above, the Conversion Price of HK\$0.4 (or HK\$4 if the Share Consolidation becomes effective) represents a significant premium over 400% to the current trading price of the Shares; it also represents a significant premium of approximately 147% over the net asset value of HK\$0.162 per Existing Share as at 30 September 2022. The Company believes that the Subscriber's acceptance of the Conversion Price at such a premium level can demonstrate the Subscriber's confidence and commitment on the trading prospect and development of the Company. The Company further considers that the Conversion Price being set at the aforesaid premium rate is more favourable to the Company and public Shareholders as a whole because any dilution effect on the shareholding arising from the allotment of Conversion Shares would be effectively offset by the premium value of the Conversion Price.

The Company and the Subscriber have agreed that, if the Share Consolidation becomes effective prior to the issue of the Convertible Bonds, the initial Conversion Price shall be adjusted to HK\$4.

The interest rate of 5.5% p.a. payable on the Convertible Bonds was also determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the prevailing best lending rates quoted by major banks in Hong Kong at the material times (e.g. 5.75% p.a. as quoted by HSBC and Hang Seng Bank), the prevailing interest rates offered in the market from financial institutions and money lenders, and the terms of the Convertible Bonds (including the Convertible Bonds being unsecured).

INFORMATION OF THE COMPANY

The Group is principally engaged in securities trading, loan financing, properties development and other businesses.

LETTER FROM THE BOARD

INFORMATION OF THE SUBSCRIBER

As at the date of this circular, the Subscriber is the controlling shareholder of the Company holding (through himself and his controlled corporation) 3,299,985,405 Shares, representing approximately 44.86% of the total issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under the Listing Rules.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ISSUE OF CONVERTIBLE BONDS

Reference is made to the Company's circular dated 28 February 2018 in relation to, among other things, the issuance of the 2018 CB. The Company issued the 2018 CB with principal amount of HK\$1,000,000,000 to the Subscriber on 26 March 2018. The 2018 CB has fallen due on the maturity date on 26 March 2023. As at the Latest Practicable Date, the outstanding principal amount of the 2018 CB is HK\$980,000,000.

Since the maturity date of the 2018 CB, the Company had negotiations with the Subscriber on settlement of the redemption money and, after arm's length negotiation, the parties agreed to enter into the Subscription Agreement so that the 2018 CB can be redeemed by the Company by effectively issuing the new Convertible Bonds to the Subscriber. The gross proceeds of the issue of the Convertible Bonds in sum of HK\$980,000,000 will be used to wholly set off the redemption money of equivalent amount payable for the 2018 CB.

The Directors consider that redemption of the 2018 CB by way of issuance of the new Convertible Bonds instead of cash settlement can spare the cash and other internal financial resources of the Group for its use on general working capital and development of the Group's businesses.

The Directors consider the terms of the Subscription Agreement and the Convertible Bonds are negotiated on arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUND-RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

The Company had not conducted any fund-raising activities in the past 12 months immediately preceding the date of this circular.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) assuming full exercise of the conversion rights attached to the Convertible Bonds at the initial Conversion Price of HK\$0.4 per Conversion Share (assuming that no other Shares being issued) is as follows:

Shareholders	As at the date of this circular		Immediately after the full conversion of the Convertible Bonds	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Substantial Shareholders				
Mr. Li Kwong Yuk (i.e. the Subscriber)	3,299,985,405 (Note 1)	44.86	5,749,985,405	58.63 (Note 3)
中國船舶集團有限公司 (China State Shipbuilding Corporation Limited*)	908,685,000 (Note 2)	12.35	908,685,000	9.27
Director				
Su Xiaonong	14,655,000	0.20	14,655,000	0.15
Sub-total:	4,223,325,405	57.41	6,673,325,405	68.05
Other public Shareholders (Note 4)	3,133,457,610	42.59	3,133,457,610	31.95
Total	<u>7,356,783,015</u>	<u>100.00</u>	<u>9,806,783,015</u>	<u>100.00</u>

Notes:

- Including shares held by Mr. Li Kwong Yuk, Wincon Capital Investment Limited (“WCIL”), Wincon Asset Management Limited (“WAML”) and Win Master Group Limited (“WMGL”). WCIL, WAML and WMGL are wholly and beneficially owned by Mr. Li.
- 中國船舶集團有限公司 (China State Shipbuilding Corporation Limited) was deemed to be interested in the shares of the Company held by its wholly-owned subsidiary, namely, 中國船舶資本有限公司 (China Shipbuilding Capital Limited).
- Conversion of the Convertible Bonds shall be subject to the restrictions as disclosed in the section headed “Conversion Restrictions” above.

* For identification purpose only.

LETTER FROM THE BOARD

SPECIFIC MANDATE

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$105,000,000 divided into 10,500,000,000 Existing Shares, of which 7,356,783,015 Existing Shares have been issued and fully paid.

In order to accommodate future issues of Shares which may include, but not limited to, the Conversion Shares, as well as to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future, as and when necessary, the Company proposes to increase the authorised share capital of the Company from HK\$105,000,000 divided into 10,500,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares by the creation of an additional 9,500,000,000 unissued Existing Shares (the “**Increase in Authorised Share Capital**”).

If both the Increase in Authorised Share Capital and the Share Consolidation become effective, the authorised share capital of the Company will become HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares, of which 735,678,301 Consolidated Shares have been issued and fully paid.

The Increase in Authorised Share Capital is subject to the approval of the Shareholders by the passing of an ordinary resolution by the Shareholders at the SGM, and will become effective on the date of the SGM upon the passing of the relevant ordinary resolution.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.1 each.

LETTER FROM THE BOARD

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$105,000,000 divided into 10,500,000,000 Shares of HK\$0.01 each, of which 7,356,783,015 Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, on the basis that the Company does not allot, issue or repurchase any Shares prior thereto, the authorised share capital of the Company shall become HK\$105,000,000 divided into 1,050,000,000 Consolidated Shares of HK\$0.1 each, of which 735,678,301 Consolidated Shares will be in issue.

If both the Increase in Authorised Share Capital and the Share Consolidation become effective, the authorised share capital of the Company will become HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares, of which 735,678,301 Consolidated Shares have been issued and fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

Conditions Precedent to the Share Consolidation

The Share Consolidation shall be conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM;
- (ii) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the Bermuda laws (if applicable) and the Listing Rules to effect the Share Consolidation.

As at the Latest Practicable Date, none of the conditions above had been fulfilled. The Share Consolidation will become effective when the conditions mentioned above are fulfilled.

Listing Application

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated 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 Consolidated 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on 5 September 2023 to market closing time at 4:00 p.m. on 25 September 2023 (both days inclusive). Shareholders who wish to use this matching service should contact Mr. Esmond Yu of Everbright Securities Investment Services (HK) Limited at 28/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or at the telephone number (852) 3920 1596 during office hours (from 9:30 a.m. to 4:30 p.m. from Monday to Friday) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

Board lot size

Currently, the Existing Shares are traded on the Stock Exchange in the board lot size of 5,000 Existing Shares. Upon the Share Consolidation becoming effective, there will be no change in board lot size and the board lot size for trading in the Consolidated Shares will remain as 5,000 Consolidated Shares.

Based on the closing price of HK\$0.048 per Existing Share (equivalent to the theoretical closing price of HK\$0.48 per Consolidated Share) as at the Latest Practicable Date, the value of each board lot of the Existing Shares is HK\$240 and the theoretical market value of each board lot of the Consolidated Shares, assuming the Share Consolidation had become effective, would be HK\$2,400.

Free exchange of Consolidated Shares' certificates and trading arrangement

Subject to the Share Consolidation becoming effective, the Shareholders may during the period from Tuesday, 22 August 2023 to Wednesday, 27 September 2023 (both days inclusive) submit the existing share certificates in the colour of yellow for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong to exchange, at the expense of the Company, for new share certificates in the colour of pink for the Consolidated Shares.

Thereafter, certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher.

After 4:10 p.m. on Monday, 25 September 2023, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, there are outstanding Options for subscription of an aggregate of 609,500,000 Existing Shares under the Share Option Scheme. The Share Consolidation may lead to adjustments to the exercise price and/or the number of Consolidated Shares falling to be issued upon exercise of the outstanding Options pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules. The Company will make further announcement(s) on such adjustments as and when appropriate.

LETTER FROM THE BOARD

Save for the aforesaid, the Company has no other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to 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. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guide**”) has further stated that market price of the shares at a level less than HK\$0.1 per share will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

As at the Latest Practicable Date, the closing price is HK\$0.048 per Existing Share, with a board lot size of 5,000 Existing Shares, which are trading under HK\$2,000 per board lot. It is contemplated that the expected value per board lot after the Share Consolidation would exceed HK\$2,000 and would thus render the trading of the Consolidated Shares in compliance with the relevant trading requirement. Further, for the purpose of reducing transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes the Share Consolidation. It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Shares.

The Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract more investors. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

In view of the above, the Directors are of the view that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any other plan, arrangement, understanding or intention on any fund-raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct equity fund-raising exercises when suitable fund-raising and/or investment opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

Shareholders and potential investors of the Company should note that the Share Consolidation shall be conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions Precedent to the Share Consolidation” in this circular. Accordingly, the Share Consolidation may or may not proceed.

GENERAL

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the grant of the Specific Mandate.

The SGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the Subscription and the grant of the Specific Mandate.

SGM

A notice convening the SGM to be held at Unit 2703, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong on Friday, 18 August 2023 at 3:00 p.m. is set out on pages IV-1 to IV-3 of this circular. Ordinary resolutions will be proposed at the SGM for the Shareholders to consider and, if thought fit, to approve (i) the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation.

A form of proxy for the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, No. 16 Harcourt Road, 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 adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire.

The register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both dates inclusive, during which period, no transfer of Shares will be registered. In order to qualify to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Monday, 14 August 2023.

LETTER FROM THE BOARD

IMPLICATIONS UNDER LISTING RULES

The Subscription

As mentioned above, the Subscriber is a connected person of the Company under the Listing Rules so the Subscription constitutes a connected transaction of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. The Subscriber and his associates are required to abstain from voting on the resolutions in respect of the Subscription at the SGM.

As at the Latest Practicable Date, the Subscriber and his associates (namely, the companies controlled by him including WCIL, WAML and WMGL) were entitled to voting rights of 3,299,985,405 Shares (representing approximately 44.86% of the total voting rights of the Shares). The Subscriber (together with his associates) controls or is entitled to control over the entire voting right in respect of his Shares.

To the best of the Directors' information, belief and knowledge having made all reasonable enquiry, save for the Subscriber and his associates, no other Shareholders or Directors have any material interest in the Subscription and the grant of the Specific Mandate.

The Increase in Authorised Share Capital and the Share Consolidation

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital and the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolutions relating to the Increase in Authorised Share Capital and the Share Consolidation at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the SGM shall be voted by poll in accordance with the Listing Rules and the Bye-Laws. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the SGM.

RECOMMENDATION

Having considered the above-mentioned benefits to the Group and the advice of the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and the issue of Convertible Bond under Specific Mandate are in the interests of the Company and the Shareholders as a whole and they are fair and reasonable to the Company. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate.

LETTER FROM THE BOARD

Further, the Board considers that the Increase in Authorised Share Capital and the Share Consolidation are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the (1) letter from the Independent Board Committee set out in the Appendix I of this circular and (2) letter of advice from the Independent Financial Adviser set out in the Appendix II of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate to allot and issue of the Conversion Shares) and the principal factors considered by it in arriving at its recommendation.

Your attention is also drawn to the additional information contained in the appendices to this circular.

Shareholders and potential investors should note that completion of the Subscription Agreement is subject to fulfillment of the Conditions. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
DINGYI GROUP INVESTMENT LIMITED
Su Xiaonong
Acting Chairman and Chief Executive Officer



DINGYI GROUP INVESTMENT LIMITED

鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

Registered office:

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

Principal place of business in

Hong Kong:
Unit 2703, 27/F.
Convention Plaza – Office Tower
1 Harbour Road
Wanchai, Hong Kong

2 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION –
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular dated 2 August 2023 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 18 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Shareholders in respect of the Subscription and the issue of the Convertible Bonds, as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation as set out on pages II-1 to II-19 of this circular.

Upon taking into account the recommendation of the Independent Financial Adviser, we consider that the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate, though not being in ordinary and usual course of business of the Group, are on normal commercial terms or better in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate.

Yours faithfully,

Chow Shiu Ki
Independent
Non-executive Director

Cao Kuangyu
Independent
Non-executive Director

Ip Chi Wai
Independent
Non-executive Director

The following is the full text of the letter from Alpha Financial Group Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Alpha Financial Group Limited

Room A, 17/F

Fortune House

61 Connaught Road Central

Central, Hong Kong

2 August 2023

*To the Independent Board Committee and the Independent Shareholders of
DINGYI GROUP INVESTMENT LIMITED*

Dear Sir or Madam,

**CONNECTED TRANSACTION –
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the issue of the Convertible Bonds under Specific Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 2 August 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcements published by the Company on 23 June 2023 and 5 July 2023 in relation to, among others, issue of the Convertible Bonds under Specific Mandate which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board proposes to seek, among others, the approval of the Independent Shareholders for the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company holding (through himself and his controlled corporation) 3,299,985,405 Shares, representing approximately 44.86% of the total issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under the Listing Rules so the Subscription constitutes a connected transaction of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. The Subscriber and his associates are required to abstain from voting on the resolutions in respect of the Subscription at the SGM.

As at the Latest Practicable Date, the Subscriber and his associates (namely, the companies controlled by him including WCIL, WAML and WMGL) were entitled to voting rights of 3,299,985,405 Shares (representing approximately 44.86% of the total voting rights of the Shares). The Subscriber (together with his associates) controls or is entitled to control over the entire voting right in respect of his Shares.

To the best of the Directors' information, belief and knowledge having made all reasonable enquiry, save for the Subscriber and his associates, no other Shareholders or Directors have any material interest in the Subscription and the grant of the Specific Mandate.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chow Shiu Ki, Mr. Cao Kuangyu and Mr. Ip Chi Wai, all being independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders as to voting. We, Alpha Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group and its associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists 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 as defined under Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided, and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the SGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the SGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the SGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the issue of the Convertible Bonds under Specific Mandate and pursuant to Rule 13.80(2) of the Listing Rules, we have obtained and reviewed the relevant information in relation to the issue of the Convertible Bonds under Specific Mandate, among others, (i) the annual results announcement for the year ended 31 March 2023 of the Company (the “**2023 Annual Announcement**”); (ii) the recent announcements of the Company; and (iii) the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business,

affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the issue of the Convertible Bonds under Specific Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background Information of the Parties to the Subscription

1.1 Information on the Group

The Company is a company incorporated in the Bermuda with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 508).

The Company is an investment holding company and its subsidiaries are principally engaged in securities trading, loan financing, properties development and other businesses.

1.2 Financial Performance on the Group

FY2023 vs FY2022

With reference to the 2023 Annual Announcement, for the year ended 31 March 2023 (“**FY2023**”), the Group’s revenue from its continuing operations for the year amounted to approximately HK\$1,217 million or HK\$1,062 million more than that for the year ended 31 March 2022 (“**FY2022**”). There was a profit for the year attributable to the Company’s owners of approximately HK\$5 million (FY2022: loss of approximately HK\$101 million). Such turnaround from loss to profit was mainly attributable to (i) the increase in revenue of properties development business; and (ii) the reversal of allowance for impairment loss of loan and interest receivables.

For FY2023, the Group has been involved in the securities trading business. The Group had not realised any profit or loss on the disposal of these listed securities investments during the year (FY2022: loss of approximately HK\$60,000). The Group recorded a loss of approximately HK\$18 million (FY2022: gain of approximately HK\$1 million) arising from changes in the fair value of the listed securities. As a result, the Group reported a segment loss of approximately HK\$18 million (FY2022: loss of approximately HK\$1 million) during the year.

For FY2023, the Group recorded a revenue of approximately HK\$141 million (FY2022: approximately HK\$148 million) from loan financing segment. The Group recorded a reversal of allowance for impairment of loan and interest receivables of approximately HK\$54 million (FY2022: allowance for impairment of approximately HK\$60 million). As a result, the Group reported a segment profit of approximately HK\$195 million (FY2022: approximately HK\$88 million).

For FY2023, the Group has recorded a revenue of approximately HK\$1,076 million (FY2022: approximately HK\$7 million) from properties development segment and segment profit of approximately HK\$75 million (FY2022: loss of approximately HK\$15 million segment loss). The increase in revenue was mainly due to the increase in revenue of properties development business recognised upon the customers obtaining control of the completed property for sales of which the sales proceeds were recognised as contract liabilities (i.e. deposits received from customers) in previous financial year.

For FY2023, the gross profit of the Group increased by approximately HK\$81 million, or 52.8%, from approximately HK\$153 million in FY2022 to approximately HK\$234 million in FY2023. The gross profit margin decreased from approximately 98.8% in FY2022 to approximately 19.2% in FY2023.

The cash and bank balances of the Group increased from approximately HK\$152 million as at 31 March 2022 to approximately HK\$206 million as at 31 March 2023.

As at 31 March 2023, the Group's net assets attributable to the owners of the Company amounted to approximately HK\$1,257 million (31 March 2022: HK\$1,475 million), a decrease of approximately HK\$218 million when compared with that of 2022.

As at 31 March 2023, total debt to equity ratio was 1.00 (31 March 2022: 0.61) and net debt to equity ratio was 0.84 (31 March 2022: 0.51), which were expressed as a percentage of total borrowings and total borrowings less cash and cash equivalents respectively, over the total equity of approximately HK\$1,257 million (31 March 2022: HK\$1,475 million).

1.3 Information of the Subscriber

As at the Latest Practicable Date, the Subscriber is the controlling shareholder of the Company holding (through himself and his controlled corporation) 3,299,985,405 Shares, representing approximately 44.86% of the total issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under the Listing Rules.

2. Reasons for and Benefits of Issue of Convertible Bonds

Reference is made to the Company's circular dated 28 February 2018 in relation to, among other things, the issuance of the 2018 CB. The Company issued the 2018 CB with principal amount of HK\$1,000 million to the Subscriber on 26 March 2018. The 2018 CB has fallen due on the maturity date on 26 March 2023. As at the Latest Practicable Date, the outstanding principal amount of the 2018 CB is HK\$980 million.

Since the maturity date of the 2018 CB, the Company had negotiations with the Subscriber on settlement of the redemption money and, after arm's length negotiation, the parties agreed to enter into the Subscription Agreement so that the 2018 CB can be redeemed by the Company by effectively issuing the new Convertible Bonds to the Subscriber. The gross proceeds of the issue of the Convertible Bonds in sum of HK\$980 million will be used to wholly set off the redemption money of equivalent amount payable for the 2018 CB.

Based on the 2023 Annual Announcement, we noted that the cash and cash equivalents of the Group only amounted to approximately HK\$206 million as at 31 March 2023. Having considered the facts that the available cash position as at 31 March 2023 was insufficient for full redemption of the 2018 CB, we concur with the view of the Directors that redemption of the 2018 CB by way of issuance of the new Convertible Bonds instead of cash settlement can spare the cash and other internal financial resources of the Group for its use on general working capital and development of the Group's businesses.

As advised by the Management, the Management also considered other feasible and permissible way to deal with the maturity of the 2018 CB other than the cash redemption in full. Taking into consideration the facts that the closing prices of the Shares ranged from HK\$0.025 to HK\$0.080 during the twelve months period immediately prior to the date of the Subscription Agreement and up to the Latest Practicable Date is much lower than the initial Conversion Price of the 2018 CB, the Management expected that it is unlikely for the Subscriber to exercise the conversion rights.

Furthermore, based on our discussion with the Management, in view of the Group's cash position and the general working capital requirements for the Group's internal development, the Management consider that the redemption of the 2018 CB by way of issuance of the new Convertible Bonds enable the Company to postpone such substantial cash outflow and allow the Company to have more financial flexibility in the deployment of its working capital for its business operations and development. Accordingly, on 23 June 2023, the Company and the

Subscriber entered into the Subscription Agreement and the Company shall issue the Convertible Bonds to the Subscriber and redeem the 2018 CB simultaneously on Completion.

Having considered the facts that (i) the available cash position of the Group as at 31 March 2023 amounted to approximately HK\$206 million and was insufficient for full redemption of the 2018 CB; (ii) it is unlikely for the Subscriber to exercise the conversion rights in view of the prevailing market price of the Shares; (iii) the entering into of the Subscription Agreement will enable the Company to postpone substantial cash outflow and allow the Company to have more financial flexibility in the deployment of its working capital for its business operations and development; and (iv) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned (please refer to the section headed “3. Principal Terms of the Convertible Bonds” below for our analysis), we concur with the Directors’ view that the terms of the Subscription Agreement, and the Convertible Bonds are negotiated on arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. Principal Terms of the Convertible Bonds

On 23 June 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$980,000,000 convertible into Shares at the initial Conversion Price of HK\$0.4 per Conversion Share.

Date: 23 June 2023 (after trading hours)

Issuer: the Company

Subscriber: Mr. Li Kwong Yuk

The principal terms of the Convertible Bonds are as follows:

Principal amount: An aggregate principal amount of HK\$980,000,000

Issue Price: 100% of the principal amount of the Convertible Bonds. The issue price was determined by the Company based on the face value of the Convertible Bonds

Form of the Convertible Bonds and Denomination: In registered form and in denomination of HK\$10,000,000 each or integral multiples thereof

Interest Rate: 5.5% per annum

Maturity Date:	The third anniversary of the date of issue of the Convertible Bonds
Status:	The Convertible Bonds, when issued, will constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded by mandatory provisions of applicable law (for example, in case of insolvency, preferential creditors including tax owed to government or wages owed to employees).
Conversion Shares:	<p>Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.4, an aggregate of 2,450,000,000 Conversion Shares (or, upon the Share Consolidation becoming effective, at the conversion price of HK\$4 convertible into an aggregate of 245,000,000 Conversion Shares) will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 33.30% of the existing issued share capital of the Company and approximately 24.98% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.</p> <p>Upon full conversion, the aggregate nominal value of the 2,450,000,000 Conversion Shares (or 245,000,000 Consolidated Shares if the Share Consolidation becoming effective) will be in sum of HK\$24,500,000.</p> <p>Upon full conversion of the Conversion Shares and assuming that the Company does not issue or repurchase any Shares from the Latest Practicable Date up to and including the date of the conversion, the aggregate shareholding of the public Shareholders will decrease from approximately 42.59% as at the Latest Practicable Date to approximately 31.95% upon full conversion.</p>

Conversion Restrictions:

The Convertible Bondholders shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, (a) it triggers any mandatory offer under Rule 26 of the Takeovers Code; or (b) the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights.

Conversion Price:

The initial conversion price of HK\$0.4 per Conversion Share as set out in the terms and conditions of the Convertible Bonds Instrument, subject to adjustment (or HK\$4 per Conversion Share if the Share Consolidation becoming effective prior to the issue of the Convertible Bonds).

Adjustments to the Conversion
Price:

The Conversion Price of the Convertible Bonds is subject to adjustment in the following events, namely, share consolidation, share subdivision and capitalisation of profits or reserves.

- (i) ***Consolidation and subdivision:*** If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

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

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

- (ii) *Capitalisation of profits or reserves:* If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued in lieu of the whole or a part of a cash dividend and other than an issue that would amount to Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

Ranking of Conversion Shares:

The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date.

Conversion period:

The period commencing from the Issue Date up to the Maturity Date

Redemption:

Redemption at Maturity

Unless previously converted or cancelled, the Company shall redeem all the outstanding Convertible Bonds on the Maturity Date at a redemption amount equivalent to 100% of the outstanding principal.

Early Redemption by Company

The Company may by 7 days' notice in writing at any time from the date of the issue of the Convertible Bonds up to (but excluding) Maturity Date redeem all or part of the Convertible Bonds (selected by it in its sole discretion) at a redemption amount equal to 100% of the principal amount of such Convertible Bonds to be redeemed plus any outstanding accrued interest.

Redemption on default

If any of the events of default set out in the Convertible Bonds Instrument occurs, the Convertible Bondholders holding 51% or more of the outstanding principal of the Convertible Bonds may by notice in writing to the Company declare that the redemption on default shall apply and then each of the Convertible Bondholders may, at its option, give a redemption notice in respect of all the Convertible Bonds held by it/him to the Company whereupon the outstanding principal amount of such Convertible Bonds shall become immediately due and payable at a redemption amount. Such events of default include (but are not limited to) (i) default of the Company to repay the principal of the Convertible Bonds or inability of the Company to pay its debts; (ii) material default of covenants or breach of warranties and undertakings under the Convertible Bonds Instrument; (iii) winding-up, dissolution or insolvency of the Company; (iv) a receiver is appointed of the whole or major part of the Company's assets; (v) the Convertible Bonds are not in full force and effect; or (vi) the Company's Shares cease to be listed or are suspended from trading on the Stock Exchange for a 30 consecutive trading days.

Listing:

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other 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.

Transferability of Convertible
Bonds:

The Convertible Bonds may be transferred to a third party with the Company's prior written consent (such consent not to be unreasonably withheld).

For further details of the principal terms of the Convertible Bonds, please refer to the paragraph headed "THE SUBSCRIPTION AGREEMENT" and "PRINCIPAL TERMS OF THE CONVERTIBLE BONDS" in the Letter from the Board.

Our Assessment

Based on the discussion with the Management, we noted that the Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the prevailing market price of the Shares, the historical performance of the Shares price, the financial conditions and trading prospect of the Company. The Conversion Price of HK\$0.4 (or HK\$4 if the Share Consolidation becomes effective) represents a significant premium over 400% to the recent trading price of the Shares; it also represents a significant premium of approximately 147% over the net asset value of HK\$0.162 per Existing Share as at 30 September 2022. The Company believes that the Subscriber's acceptance of the Conversion Price at such a premium level can demonstrate the Subscriber's confidence and commitment on the trading prospect and development of the Company. The Company further considers that the Conversion Price being set at the aforesaid premium rate is more favourable to the Company and public Shareholders as a whole because any dilution effect on the shareholding arising from the allotment of Conversion Shares would be effectively offset by the premium value of the Conversion Price.

Meanwhile, we also noted that the interest rate of 5.5% p.a. payable on the Convertible Bonds was also determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the prevailing best lending rates quoted by major banks in Hong Kong at the material times (e.g. 5.75% p.a. as quoted by HSBC and Hang Seng Bank), the prevailing interest rates offered in the market from financial institutions and money lenders, and the terms of the Convertible Bonds (including the Convertible Bonds being unsecured).

In further assessing the fairness and reasonableness of the terms of the Convertible Bonds, we have reviewed comparable transactions involving issue of convertible bonds or notes or securities to independent third party(ies) or connected person(s), announced by companies listed on the Stock Exchange in the past three months immediately preceding the date of the Subscription Agreement (the "**Comparable CBs**"). We have, to our best effort and so far as we are aware, identified 21 Comparable CBs which we consider to be exhaustive. We consider the following list of the Comparable CBs is fair, representative and comparable to the Subscription Agreement, taking into account that (i) they involve the same type of transaction as the entering into of the Subscription Agreement, i.e. the issue of convertible bonds or notes or securities under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose, as the selection of the Comparable CBs without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework; (ii) the three month period immediately prior to the date of the Subscription Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) an exhaustive list of the Comparable CBs with each fulfilled the

abovementioned selection criteria is more representative to provide a comprehensive reference for comparison purpose and the determination of any outlier involves subjective judgment which may bias the final result.

Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable CBs, and the Comparable CBs set out below are for the purpose of providing a general insight on the terms in respect of the issue of convertible bonds or notes or securities under specific mandate during the said three months' period. Details of the Comparable CBs are set out below:

Date of announcement	Name of company (Stock code)	Principal amount	Duration (years)	Premium/(discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/(Discount) – Last Day") (%)	Interest rate per annum (%)	Connected transaction (Yes/No)
19 June 2023	Creative China Holdings Limited (8368.HK)	RMB9,000,000	2.0	107.69	2.0	Yes
13 June 2023	Sunac China Holdings Limited (1918.HK)	US\$1,000,000,000	9.0	336.68	1.0	Yes
12 June 2023	Culturecom Holdings Limited (343.HK)	HK\$100,000,000.00	2.0	31.58	8.0	No
11 June 2023	VIVA BIOTECH HOLDINGS (1873.HK)	HK\$470,000,000	0.5	5.26	2.0	No
9 June 2023	Unity Group Holdings International Limited (1539.HK)	US\$15,000,000	2.0	(19.50)	8.0	No
6 June 2023	China Asia Valley Group Limited (63.HK)	HK\$353,360,000	5.0	(33.30)	3.6	Yes
2 June 2023	Noble Engineering Group Holdings Limited (8445.HK)	HK\$65,000,000	2.0	0.00	8.0	No
31 May 2023	Hua Yin International Holdings Limited (989.HK)	HK\$150,000,000	3.0	1.14	6.0	No
29 May 2023	Hybrid Kinetic Group Limited (1188.HK)	HK\$100,000,000	2.0	244.80	5.0	No
16 May 2023	Arta TechFin Corporation Limited (279.HK)	HK\$40,000,000	2.0	24.80	8.0	No
12 May 2023	Hong Kong Aerospace Technology Group Limited (1725.HK)	HK\$800,000,000	0.6	(8.91)	0.5	No

Date of announcement	Name of company (Stock code)	Principal amount	Duration (years)	Premium/(discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/(Discount) – Last Day") (%)	Interest rate per annum (%)	Connected transaction (Yes/No)
11 May 2023	LVGEM (China) Real Estate Investment Company Limited (95.HK)	US\$20,000,000	2.0	23.46	6.0	No
8 May 2023	Quali-Smart Holdings Limited (1348.HK)	HK\$9,000,000	3.0	0.00	6.0	No
26 April 2023	Sino-Life Group Limited (8296.HK)	HK\$18,160,000	6.0	5.00	1.0	Yes
13 April 2023	AL Group Limited (8360.HK)	HK\$5,000,000	7.0	(1.64)	3.0	No
6 April 2023	Global Sweeteners Holdings Limited (3889.HK)	RMB120,000,000	3.0	16.30	5.0	No
3 and 4 April 2023	Ta Yang Group Holdings Limited (1991.HK)	HK\$40,000,000	3.0	0.00	10.0	No
3 April 2023	China Zenith Chemical Group Limited (362.HK)	HK\$44,100,000	2.0	(10.30)	3.0	No
29 March 2023	China Baoli Technologies Holdings Limited (164.HK)	RMB20,000,000	3.0	181.25	2.0	No
29 March 2023	Kerry Logistics Network Limited (636.HK)	HK\$780,000,000	Perpetual	44.17	3.3	Yes
28 March 2023	IBO Technology Company Limited (2708.HK)	HK\$92,400,000	2.0	0.00	8.0	No
		Maximum:	Perpetual	336.68	10.0	
		Minimum:	0.5	(33.30)	0.5	
		Median:	2.0	5.00	5.0	
		Mean:	3.1	45.17	4.7	
		The Convertible Bonds:	3.0	440.54	5.5	Yes

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

Note: For Sunac China Holdings Limited (1918.HK), we adopted the initial interest rate per annum under the terms of its convertible bond for comparison purpose.

(i) Duration

According to the table above, the duration of the Comparable CBs ranged from 0.5 year to 9.0 years with an average duration of 3.1 years (excluding the convertible bonds issued by Kerry Logistics Network Limited with perpetual maturity). The duration of the Convertible Bonds is 3.0 years and fall within the range of the duration of the Comparable CBs. Therefore, we consider that the duration of the Convertible Bonds is fair and reasonable.

(ii) Conversion Price

As illustrated in table above, the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs ranged from a discount of approximately 33.30% to a premium of approximately 336.68%, with an average of a premium of approximately 45.17% and a median of a premium of approximately 5.00%. The Conversion Price, representing a premium of approximately 440.54% over the closing price of the Shares on the date of the Subscription Agreement, is higher than the highest of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs, which is favourable to the Company and its Independent Shareholders as a whole. Therefore, we consider that the Conversion Price is fair and reasonable.

(iii) Interest Rate

As shown in the table above, the interest rates of the Comparable CBs ranged from 0.5% to 10.0% per annum with an average of approximately 4.7% per annum and a median of approximately 5.00% per annum. We note that the interest rate of the Convertible Bonds of 5.5% per annum is within the range and close to the median of the Comparable CBs. We therefore consider that the interest rate of the Convertible Bonds is fair and reasonable.

Having considered that (i) the duration of the Convertible Bonds fall with the range of the Comparable CBs; (ii) the Premium/(Discount) – Last Day represented by the Conversion Price are higher than the highest of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs; and (iii) the interest rate of the Convertible Bonds is within the range and close to the median of the Comparable CBs, we are of the view that the principal terms of the Convertible Bonds are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

4. Equity Fund-raising Activities of the Company in the Past 12 Months

The Company had not conducted any fund-raising activities in the past 12 months immediately preceding the date of this Circular.

5. Financial Effects of the Subscription and the Issue of the Convertible Bonds**(i) Earnings**

The Convertible Bonds are interest bearing bonds and will mature on the third anniversary of the date of issue of the Convertible Bonds. It is expected that the future earnings of the Company will be reduced by the amount of interest expenses incurred in relation to the Convertible Bonds upon their maturity, and/or any early redemption. In addition, the expenses relating to the professional advisory fees and ancillary costs to be incurred by the Company in relation to the Subscription will also decrease the earnings of the Group in this regard.

(ii) Net Assets

According to the 2023 Annual Announcement, the net assets of the Company amounted to approximately HK\$1,257 million as at 31 March 2023. As the gross proceeds of the issue of the Convertible Bonds in sum of HK\$980 million will be used to wholly set off the redemption money of equivalent amount payable for the 2018 CB, the Subscription therefore would not lead to any increase in cash and cash equivalents of the Company. The exact amount of the respective fair value of the liability and derivative components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of Completion.

(iii) Debt to Equity Ratio

According to the 2023 Annual Announcement, as at 31 March 2023, the total debt to equity ratio was 1.00 and net debt to equity ratio was 0.84, which were expressed as a percentage of total borrowings and total borrowings less cash and cash equivalents respectively, over the total equity of approximately HK\$1,257 million. In the event that the Subscriber exercises the conversion rights attaching to the Convertible Bonds, assuming there are no other factors affecting the financial position of the Group, the gearing position would improve, and the conversion of the Convertible Bonds by the Subscriber into Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not exercised within the maturity period, the gearing position of the Group would be slightly increased due to the interest rate of 5.5% per annum of the Convertible Bonds (the 2018 CB: interest-free), which would potentially incur higher interest expenses and increase the liability component of the Convertible Bonds. The Management expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the Convertible Bonds, subject to the valuation to be prepared by an independent valuer.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Subscription.

6. Potential Effect on the Shareholding Structure

As illustrated in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 42.59%.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.4, an aggregate of 2,450,000,000 Conversion Shares (or, upon the Share Consolidation becoming effective, at the conversion price of HK\$4 convertible into an aggregate of 245,000,000 Conversion Shares) will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 33.30% of the existing issued share capital of the Company and approximately 24.98% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. On such basis, the shareholding of existing public Shareholders will be diluted from approximately 42.59% to approximately 31.95%.

Taking into account (i) the reasons for the issue of the Convertible Bonds under Specific Mandate as previously mentioned in this letter; and (ii) the terms of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate are considered to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole, we consider that the dilution to the shareholding of the existing public Shareholders as a result of the issue of the Convertible Bonds to be acceptable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, while not being in the ordinary and usual course of business of the Company, are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited

Cheng Chi Ming, Andrew
Managing Director

Irene Ho
Vice President

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 19 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 8 years of experience in the corporate finance industry in Hong Kong.

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.

1. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised		<i>HK\$</i>
<u>10,500,000,000</u>	Existing Shares	<u>105,000,000</u>
Issued and fully paid		<i>HK\$</i>
<u>7,356,783,015</u>	Existing Shares	<u>73,567,830.15</u>

2. DISCLOSURE OF INTERESTS

Interest of Directors and Chief Executive in the Company

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

Interest in the Shares of the Company

Director	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Su Xiaonong	14,655,000 (L)	Beneficial owner	0.20%
	50,000,000 (L)	Share options (Note 1)	0.68%

The letter “L” denotes a long position in the Shares.

Note:

- These were share options granted by the Company under the Share Option Scheme on 11 April 2019 at the exercise price of HK\$0.456 per share.

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

Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Li Kwong Yuk	240,340,000 (L)	Beneficial owner	3.27%
	3,066,645,405 (L)	Interest of controlled corporation (<i>Note (a)</i>)	41.68%
中國船舶集團有限公司 (China State Shipbuilding Corporation Limited*)	908,685,000 (L)	Interest of controlled corporation (<i>Note (b)</i>)	12.35%

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

Notes:

- (a) These shares held by Wincon Capital Investment Limited ("WCIL"), Wincon Asset Management Limited ("WAML") and Win Master Group Limited ("WMGL"). WCIL, WAML and WMGL are wholly and beneficially owned by Mr. Li.
- (b) 中國船舶集團有限公司 (China State Shipbuilding Corporation Limited) was deemed to be interested in the shares of the Company held by its wholly-owned subsidiary, namely, 中國船舶資本有限公司 (China Shipbuilding Capital Limited).

* For identification purpose only.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or 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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the experts who has given opinion or advice which are contained in this circular:

Name	Qualification
Alpha Finance Group Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, the above expert has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made up, had been 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.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

8. LITIGATION

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

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statement of the Group were made up.

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) The Subscription Agreement.

11. GENERAL

- (a) The company secretary of the Company is Mr. Chan Kwong Leung Eric.
- (b) The registered office of the Company is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (c) The principal place of business of the Company in Hong Kong is situated at Unit 2703, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (e) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

12. DOCUMENTS ON DISPLAY

The following documents will be posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://www.dingyi.hk>) for at least 14 days from the date of this circular:

- (a) the Subscription Agreement;
- (b) each of the material contract(s) as referred to in the section headed “Material contracts” in this appendix;
- (c) the letter of recommendation dated 2 August 2023 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Appendix I of this circular;
- (d) the letter of advice dated 2 August 2023 from Alpha Financial Group Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set on the Appendix II of this circular; and
- (e) the written consent referred to in the section headed “Qualifications and consents of experts” in this appendix.

**DINGYI GROUP INVESTMENT LIMITED****鼎億集團投資有限公司***(Incorporated in Bermuda with limited liability)***(Stock Code: 508)**

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of DINGYI GROUP INVESTMENT LIMITED (the “**Company**”) will be held at 3:00 p.m. on Friday, 18 August 2023 at Unit 2703, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

Unless otherwise specified, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 2 August 2023.

ORDINARY RESOLUTIONS1. “**THAT:**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) dated 23 June 2023 and entered into between the Company and Li Kwong Yuk (the “**Subscriber**”) in respect of the subscription (the “**Subscription**”) for the Convertible Bonds (the “**Convertible Bonds**”) in principal amount of HK\$980,000,000 to be issued by the Company (which Convertible Bonds are convertible into conversion shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.4 per share (or HK\$4 per Conversion Share if the Share Consolidation as hereinafter described becoming effective), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the terms and conditions of the instrument of the convertible bonds (the “**CB Instrument**”) to be executed by the Company in relation to the Convertible Bond to be issued by the Company to the Subscriber (a copy of which has been produced to the Meeting marked “B” and initialed by the chairman of the Meeting for identification purpose) be and are hereby approved, confirmed and ratified;
- (c) conditional upon the Stock Exchange having approved the listing of and dealing in the Conversion Shares, the Directors be and are hereby granted the specific mandate (the “**Specific Mandate**”) to allot and issue the Conversion Shares in accordance with the terms of the Subscription Agreement and the CB Instrument, provided that the Specific Mandate shall be in addition to, and shall not prejudice

nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (d) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the allotment and issue of the Convertible Bonds to the Subscriber.”

2. **“THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$105,000,000 divided into 10,500,000,000 Shares to HK\$200,000,000 divided into 20,000,000,000 Shares by the creation of additional 9,500,000,000 new unissued Shares (the **“Increase in Authorised Share Capital”**); and
- (b) any one Director be and is hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such acts, matters and things as are, in the opinion of such Director, desirable or expedient to give effect to the Increase in Authorised Share Capital.”

3. **“THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval of the listing of, and permission to deal in, the consolidated shares of HK\$0.1 each (the **“Consolidated Shares”**) arising from the Share Consolidation (as defined below) pursuant to this resolution, with effect from the second business day immediately following the date on which this resolution is passed:

- (a) every ten (10) issued and unissued shares of HK\$0.01 each (**“Existing Share(s)”**) in the capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.1 each (**“Share Consolidation”**), such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions as contained in the articles of association of the Company;
- (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the shareholders (**“Shareholder(s)”**) of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and

- (c) any one of the directors of the Company be and is hereby authorised generally to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangement for the Share Consolidation.”

By order of the Board
DINGYI GROUP INVESTMENT LIMITED
Su Xiaonong
Acting Chairman and Chief Executive Officer

Hong Kong, 2 August 2023

Notes:

1. Any Shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM is entitled to appoint one or, if he/she holds two or more Shares, more than one proxy to attend and vote in his/her stead. A proxy need not be a Shareholder.
2. To be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude the Shareholder from attending and voting in person at the SGM.
3. In the case of joint registered holders of any Share(s), the proxy form may be signed by any joint registered holder, but if more than one joint registered holder are present at the SGM, whether in person or by proxy, that one of the joint registered holders whose name stands first on the register of Shareholders in respect of the relevant jointly registered Shares(s) shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint registered holders.
4. The register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the SGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14 August 2023.
5. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 12:00 noon on the date of the SGM, the SGM will not be held on that day and will be adjourned. The Company will publish an announcement on the website of Company at www.dingyi.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and place of the adjourned meeting.

As at the date hereof, the Board comprises Mr. SU Xiaonong (Acting Chairman and Chief Executive Officer), Mr. WANG Xiaohua and Mr. HO Cheong Hang Edmond as Executive Directors; and Mr. CHOW Shiu Ki, Mr. CAO Kuangyu and Mr. IP Chi Wai as Independent Non-executive Directors.