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## **INTERNATIONAL ELITE LTD.**

**精英國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1328)**

- (1) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND DISTRIBUTION IN SPECIE OF SHARES IN GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED;**
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF MZONE NETWORK LIMITED AND SUNWARD TELECOM LIMITED;**
- (3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF GOLDSTREAM CAPITAL MANAGEMENT LIMITED AND GOLDSTREAM SECURITIES LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND**
- (4) CONTINUING CONNECTED TRANSACTIONS**

**Financial Adviser to the Company**



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



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

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 44 to 45 of this circular. A letter from Lego Corporate Finance containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 90 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Monday, 24 September 2018 at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

31 August 2018

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## EXPECTED TIMETABLE

The expected timetable for the Distribution in Specie is set out below. All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable below are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

**2018**

Latest date and time for lodging transfer of Shares  
with the Registrar in order to qualify for  
attending and voting at the EGM . . . . . 4:30 p.m. on Tuesday, 18 September

Closure of register of members of the Company for  
determining the entitlement to attend and vote  
at the EGM . . . . . Wednesday, 19 September  
to Monday, 24 September

Latest time for lodging form of proxy  
in respect of the EGM . . . . . 11:00 a.m. on Saturday, 22 September

EGM . . . . . 11:00 a.m. on Monday, 24 September

Announcement of results of the EGM . . . . . Monday, 24 September

**The following events are conditional on the fulfillment of the conditions for the  
Distribution in Specie, which are set out in this circular.**

Last day of dealings in the Shares cum-entitlement  
to the Distribution in Specie . . . . . Thursday, 27 September

First day of dealings in the Shares ex-entitlement  
to the Distribution in Specie . . . . . Friday, 28 September

Latest time for lodging transfers of the Shares  
with the Registrar in order to qualify for  
the Distribution in Specie . . . . . 4:30 p.m. on Tuesday, 2 October

Closure of the register of members of the Company for  
determining the entitlements of the Qualifying Shareholders  
to the Distribution in Specie . . . . . Wednesday, 3 October  
to Friday, 5 October

Record Date and Time for determining  
the entitlements of the Qualifying Shareholders  
to the Distribution in Specie . . . . . Friday, 5 October

Re-opening of the register of members of the Company . . . . . Monday, 8 October

Expected date of despatch of the share certificates  
of the Relevant Shares to the Qualifying Shareholders . . . . . Monday, 15 October

## DEFINITIONS

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

“Acquisition”	the acquisition of the Capital Sale Shares and the Securities Sale Shares by the Company pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the sale and purchase agreement entered into between the Company, HCG and Expand Ocean Limited on 30 July 2018 (after trading hours) in relation to the Acquisition;
“Acquisition Group”	Goldstream Capital and Goldstream Securities;
“Acquisition Long Stop Date”	29 January 2019 or such other date as the parties may agree in writing;
“Acquisition Material Adverse Effect”	any event, or circumstance or any combination of them which is or is likely to be materially adverse to (i) the business, operations, business results or financial condition of the Acquisition Group or the business of the Acquisition Group as a whole; or (ii) the ability of the Goldstream Sellers to perform their obligations under the Acquisition Agreement;
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code;
“Amendments to the Articles”	the amendments to the articles of association of the Company in respect of the payment of interim and special dividends out of Share Premium Account (in addition to out of profit);
“associates”	has the same meaning as defined in the Listing Rules;
“AUM”	asset under management;
“Authorities”	any governments, courts, arbitral tribunals, governmental, regulatory or official authorities, departments or agencies of any governments, statutory or regulatory bodies, stock exchanges whether in the PRC or elsewhere and include but not limited to the Stock Exchange;
“Board”	the board of Directors;

## DEFINITIONS

“Business Day(s)”	means a day on which licensed banks in Hong Kong are open for business throughout their normal business hours, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
“CA-SIM”	certificate authority subscriber identity module, a technology developed from RF-SIM, being a combination of ordinary mobile phone subscriber identity module card and contactless smartcard and has function of (i) public key infrastructure; (ii) application programming interface; and (iii) software development kit;
“Capital Sale Shares”	323 ordinary shares of Goldstream Capital representing all the issued share capital of Goldstream Capital;
“Company”	International Elite Ltd. (stock code: 1328), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Composite Document”	the composite document to be issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code;
“connected person”	has the same meaning ascribed to it in the Listing Rules;
“Consideration Share(s)”	2,263,012,321 new Shares to be allotted and issued by the Company to the Offeror at the issue price of HK\$0.11931 to satisfy the consideration under the Acquisition Agreement;
“CRM”	customer relationship management;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Disposal Shares by the Company pursuant to the Disposal Agreement;

## DEFINITIONS

“Disposal Agreement”	the sale and purchase agreement entered into between the Company and Mr. Li on 30 July 2018 (after trading hours) in relation to the disposal of the Disposal Shares by the Company;
“Disposal Completion Date”	the third Business Day after the date on which the conditions to the Disposal Agreement are fulfilled or waived or such other date as the Company and Mr. Li may otherwise agree in writing;
“Disposal Groups”	MZone Group and Sunward Group;
“Disposal Material Adverse Effect”	any event, circumstance, occurrence, fact, condition, change or effect which is materially adverse to (i) the business, operations, financial condition, prospects, management, properties, assets or liabilities of any member of the Disposal Groups; or (ii) the ability of the Company to perform any of its obligations under the Disposal Agreement or to consummate the transactions contemplated under the Disposal Agreement;
“Disposal Shares”	two ordinary shares of Sunward Telecom Limited representing all the issued share capital of the Sunward Telecom Limited, and one ordinary share of MZone Network Limited representing all the issued share capital of MZone Network Limited;
“Distribution in Specie”	the distribution of special dividend out of the Share Premium Account by way of a distribution in specie of the Relevant Shares in the proportion of 961 Global Link Shares for every 10,000 Shares held in the Company to the Qualifying Shareholders whose names appear on the registers of members of the Company on the Record Date;
“EGM”	the extraordinary general meeting to be convened by the Company to consider, and if thought fit, pass the resolutions to approve the Amendments to the Articles, the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Services Annual Caps;

## DEFINITIONS

“Enlarged Group”	the Group and the Acquisition Group;
“Ever Prosper”	Ever Prosper International Limited, a limited liability company incorporated under the laws of British Virgin Islands, which is owned by Mr. Li, Ms. Kwok and Ms. Li Yin (sister of Mr. Li and an executive Director) as to 50.0%, 46.5% and 3.5%, respectively;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and any delegate of the Executive Director;
“Fund I”	Goldstream Capital Master Fund I, an exempted company incorporated with limited liability in the Cayman Islands;
“Fund I Fee Letter”	the fee letter dated 30 July 2018 entered into between the Fund Manager and Goldstream Capital in relation to the management fee for Fund I;
“Fund I Management Agreement”	the investment management agreement dated 23 November 2015 (as amended and restated on 30 July 2018) entered into between Fund I, the Fund Manager and Goldstream Capital in relation to the management of Fund I;
“Fund(s)”	Fund I and GSD Fund;
“Fund Manager”	Goldstream Capital Management (Cayman) Limited, an exempted company incorporated with limited liability in Cayman Islands, being fund manager of the Funds;
“Global Link”	Global Link Communications Holdings Limited (stock code: 8060), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM of the Stock Exchange;
“Global Link Group”	Global Link and its subsidiaries;
“Global Link Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Global Link;

## DEFINITIONS

“Goldstream Capital”	Goldstream Capital Management Limited, incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO;
“Goldstream Securities”	Goldstream Securities Limited, incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in Type 1 (dealing in securities) regulated activity as defined under the SFO;
“Goldstream Sellers”	sellers to the Acquisition Agreement, being HCG and Expand Ocean Limited;
“Group”	the Company and its subsidiaries;
“GSD Fund”	Goldstream Strategic Development Fund, an exempted company incorporated with limited liability in the Cayman Islands;
“GSD Fund Fee Letter”	the fee letter dated 30 July 2018 entered between the Fund Manager and Goldstream Capital in relation to the management fee for GSD Fund;
“GSD Fund Management Agreement”	the investment management agreement dated 7 October 2016 (as amended and restated on 30 July 2018) entered into between the GSD Fund, the Fund Manager and Goldstream Capital in relation to the management of GSD Fund;
“HCG”	Hony Capital Group, L.P., an exempted limited partnership established under the laws of the Cayman Islands;
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;



## DEFINITIONS

“Hony Managing Partners”	Hony Managing Partners Limited, a limited liability company incorporated in the Cayman Islands;
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bao, which has been established by the Company to make recommendations to the Independent Shareholders regarding the Distribution in Specie, the Disposal Agreement, the Acquisition Agreement, the Special Deal, the transactions contemplated under the Management Agreements, the Management Services Annual Caps and the Offer;
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Distribution in Specie, the Disposal Agreement, the Acquisition Agreement, the Special Deal, the transactions contemplated under the Management Agreements, the Management Services Annual Caps and the Offer;
“Independent Shareholders”	Shareholders other than the Sellers and the Offeror, their respective associates and parties acting in concert with any of them and any Shareholders who are involved in or interested in any of the SPA, the Disposal Agreement, the Acquisition Agreement and the respective transactions contemplated thereunder;
“Independent Third Party (Parties)”	independent third party (parties) who is (are) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules);
“Joint Announcement”	the joint announcement dated 30 July 2018 issued by the Offeror and the Company in relation to, among other things, the Disposal, the Acquisition, the Distribution in Specie, the Amendments to the Articles, the transactions contemplated under the Management Agreements and the Management Services Annual Caps;

## DEFINITIONS

“Last Trading Day”	30 July 2018, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of the Joint Announcement;
“Latest Practicable Date”	28 August 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Agreement(s)”	collectively, the Fund I Management Agreement, Fund I Fee Letter, the GSD Fund Management Agreement and the GSD Fund Fee Letter, as more particularly set out in the paragraph headed “Letter from the Board — E. Continuing Connected Transactions” in this circular;
“Management Service Annual Caps”	proposed annual caps for the amount of fees receivable by Goldstream Capital for the five financial years ending 31 December 2022;
“Mr. Li”	Mr. Li Kin Shing, the chairman, executive Director and chief executive officer of the Company, and a director and controlling shareholder of Ever Prosper;
“Ms. Kwok”	Ms. Kwok King Wa, the spouse of Mr. Li and a controlling shareholder of Ever Prosper;
“MZone Group”	MZone Network Limited and its subsidiaries;
“New Investor(s)”	the investor(s), being the Independent Third Party(ies) and not being an existing Shareholder, who will acquire the Sell Down Shares;
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) (if any) whom the Directors, after making relevant enquiries, consider necessary or expedient to be excluded from the Distribution in Specie on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;

## DEFINITIONS

“Offer”	the possible unconditional mandatory cash general offer to be made by Somerley Capital Limited on behalf of the Offeror to acquire all the Shares not beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code;
“Offeror” or “Purchaser”	Hony Gold Holdings, L.P., a limited partnership formed under the laws of the Cayman Islands;
“PRC”	The People’s Republic of China (for the purpose of this circular, but does not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC);
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the registers of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s);
“Record Date”	being the date to be fixed for determining the Shareholders’ entitlement to the Distribution in Specie;
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company;
“Relevant Shares”	873,683,120 Global Link Shares, representing approximately 41.83% of the total number of issued Global Link Shares directly and indirectly held by the Company as at the Latest Practicable Date;
“Remaining Group”	the Group after completion of the Distribution In Specie, the Disposal and the Acquisition;
“RF-SIM”	radio-frequency subscriber identity module, being a combination of ordinary mobile phone subscriber identity module card and contactless smartcard;
“Sale Shares”	4,610,000,000 Shares, legally and beneficially owned by the Sellers as at the date of the SPA;

## DEFINITIONS

“Securities Sale Shares”	8,000,001 ordinary shares of Goldstream Securities representing all the issued share capital of Goldstream Securities;
“Sell Down”	the shareholding reduction to be made by Ms. Kwok through selling of the Sell Down Shares;
“Sell Down Agreements”	the sale and purchase agreements entered into between Ms. Kwok and the New Investors on 30 July 2018 in relation to the purchase of the Sell Down Shares by the New Investors;
“Sell Down Shares”	1,030,000,000 Shares to be sold by Ms. Kwok pursuant to the Sell Down Agreements;
“Sellers”	Ever Prosper, Mr. Li and Ms. Kwok;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong;
“Share Premium Account”	the share premium account of the Company, the amount standing to the credit of which was approximately HK\$1,481,785,000 as at 31 December 2017 based on the audited consolidated financial statements of the Company as at that date;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of (a) Share(s);
“SPA”	the sale and purchase agreement entered into between the Offeror and the Sellers on 30 July 2018 (after trading hours) in relation to the purchase of Sale Shares;
“SPA Completion”	the completion of the transactions contemplated under the SPA;

## DEFINITIONS

“Special Deal”	the Disposal, as more particularly set out in the section headed “C. Special Deal and Connected Transactions” in this circular, which constitutes a “special deal” under Note 4 to Rule 25 of the Takeovers Code;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunward Group”	Sunward Telecom Limited and its subsidiaries;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*



**INTERNATIONAL ELITE LTD.**

**精英國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1328)**

*Executive Directors:*

Mr. Li Kin Shing

*(Chairman and Chief Executive Officer)*

Ms. Li Yin

Mr. Wong Kin Wa

Mr. Li Wen

*Registered Office:*

The Grand Pavilion Commercial Centre

Oleander Way, 802 West Bay Road

Grand Cayman, KY1-1208

Cayman Islands

*Independent Non-executive Directors:*

Mr. Chen Xue Dao

Mr. Cheung Sai Ming

Mr. Liu Chun Bao

*Head Office and Principal Place of*

*Business in Hong Kong:*

Room 3809-3810

Hong Kong Plaza

188 Connaught Road West

Hong Kong

31 August 2018

*To the Shareholders,*

Dear Sir or Madam,

- (1) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND DISTRIBUTION IN SPECIE OF SHARES IN GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED;**  
**(2) DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF MZONE NETWORK LIMITED AND SUNWARD TELECOM LIMITED;**  
**(3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF GOLDSTREAM CAPITAL MANAGEMENT LIMITED AND GOLDSTREAM SECURITIES LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND**  
**(4) CONTINUING CONNECTED TRANSACTIONS**

**A. INTRODUCTION**

Reference is made to the Joint Announcement and the announcement of the Company dated 9 August 2018 in relation to the Amendments to the Articles and the Distribution in Specie. The Company and the Offeror jointly announced on 30 July 2018, among other things, that:

## LETTER FROM THE BOARD

- (i) the Sellers have entered into the SPA with the Offeror, pursuant to which the Sellers have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being an aggregate of 4,610,000,000 Shares, representing approximately 50.75% of the issued share capital of the Company as at the date of the Joint Announcement. The aggregate consideration payable by the Purchaser to the Sellers in respect of the Sale Shares shall be HK\$550,000,000, equivalent to approximately HK\$0.11931 per Sale Share. The SPA Completion, which is conditional upon the fulfilment (or, where applicable, waiver) of the conditions precedent to the SPA as set out in the section headed "A. The SPA and the Sell Down Agreements" of the Joint Announcement, shall take place contemporaneously with, among other things, completion of the transactions contemplated under the Acquisition Agreement and the Disposal Agreement;
- (ii) the Board considered (a) a special resolution at the EGM for the amendments to the articles of association of the Company in respect of the payment of interim and special dividends out of Share Premium Account (in addition to out of profit) in order to give greater flexibility to the Board to pay interim and special dividends; and (b) a special dividend out of Share Premium Account by way of the distribution in specie of the Relevant Shares to the Shareholders whose names appear on the register of members of the Company on the Record Date, on a pro-rata basis in proportion to their respective shareholding interests in the Company;
- (iii) the Company and Mr. Li have entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Disposal Shares, representing 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited, at a consideration of HK\$135,000,000 (subject to adjustment), which should be settled in cash in full at completion of the Disposal Agreement;
- (iv) the Company and the Goldstream Sellers have entered into the Acquisition Agreement, pursuant to which the Goldstream Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase the Capital Sale Shares and the Securities Sale Shares (representing 100% of the issued share capital of Goldstream Capital and Goldstream Securities, respectively) at a consideration of HK\$270 million, which shall be settled by the allotment and issuance of the Consideration Shares (being 2,263,012,321 Shares) by the Company at the issue price of HK\$0.11931 per Consideration Share; and
- (v) upon SPA Completion and completion of the Acquisition, the transactions contemplated under the Management Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

On 9 August 2018, the Board (a) proposed certain amendments to the articles of association of the Company in respect of the payment of interim and special dividends out of Share Premium Account (in addition to out of profit) in order to give greater flexibility to the Board to pay interim and special dividends; and (b) resolved to declare a special dividend by Distribution in Specie of the Relevant Shares, being 873,683,120 Global Link Shares currently held by the Company (directly and indirectly through its wholly-owned subsidiary, namely Honor Crest Holdings Limited), to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date, on a pro-rata basis of 961 Global Link Shares for every 10,000 Shares held by the Qualifying Shareholders.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Disposal also constitutes a "special deal" under Note 4 to Rule 25 of the Takeovers Code and will be conditional upon, among others, obtaining the consent of the Executive. The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company according to Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules. The transactions contemplated under the Management Agreements and the Management Service Annual Caps are subject to the reporting, announcement and the Independent Shareholders approval requirements under Chapter 14A of the Listing Rules. The Independent Board Committee comprising all the independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders regarding the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements, the Management Service Annual Caps and the Offer, after taking into consideration of the advice to be given by Lego Corporate Finance. Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The advice of Lego Corporate Finance and the recommendation of the Independent Board Committee in respect of the Offer will be included in the Composite Document to be despatched to the Shareholders.

The purpose of this circular is to provide you with details of the Amendments to the Articles, the Distribution in Specie (including the Record Date, the book closure dates, the date of despatch of the share certificates for the Relevant Shares), the Disposal Agreement, the Acquisition Agreement, the Management Agreements, the Management Service Annual Caps, the valuation report on Goldstream Capital, the reports from the Independent Financial Adviser and the Company's auditor on the Required Financial Information (as defined in the paragraph headed "Letter from the Board — C. Special Deal and Connected Transactions" in this circular), the letter of recommendations from the Independent Board Committee and the letter of advice from Lego Corporate Finance to the Independent Board Committee and the Independent Shareholders regarding the Distribution in Specie, the Disposal Agreement (transactions contemplated thereunder constitute the Special Deal), the Acquisition Agreement, the transactions contemplated under the Management Agreements and the Management Service Annual Caps and a notice convening the EGM at which the Independent Shareholders will consider and, if thought fit, pass the resolutions to approve the Amendments to the Articles, the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition (including the specific mandate to allot and issue the Consideration Shares), the transactions contemplated under the Management Agreements and the Management Services Annual Caps.



## LETTER FROM THE BOARD

### B. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY AND DISTRIBUTION IN SPECIE OF THE GLOBAL LINK SHARES

#### Amendments to the articles of association of the Company

The Board proposed a special resolution at the EGM for the amendments to the articles of association of the Company in respect of the payment of interim and special dividends out of Share Premium Account (in addition to out of profit) in order to give greater flexibility to the Board to pay interim and special dividends.

The proposed amendments to the articles of association of the Company are subject to Independent Shareholders' approval by way of a special resolution at the EGM.

Details of the proposed amendments to the articles of association of the Company are as follows:

- (1) By deleting and replacing the existing Article 133 in its entirety with the following:

“133. Subject to the Law, the Company in general meeting or the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.”;
- (2) By deleting and replacing the existing Article 134 in its entirety with the following:

“134. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.”; and
- (3) By deleting and replacing the existing Article 136 in its entirety with the following:

“136. (1) The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the financial conditions and the net realisable value of the assets of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend

## LETTER FROM THE BOARD

on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever the financial conditions and the net realisable value of the assets of the Company, in the opinion of the Board, justifies such payment.

136. (2) The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company (including share premium) and as they think fit, and the provisions of paragraph (1) of this Article as regards the power and exemption from liability of the Directors as relate to the declaration and payment of interim dividends shall apply, *mutatis mutandis*, to the declaration and payment of any such special dividends.”.

### **Special dividend and the Distribution in Specie**

The Board proposed a special dividend out of Share Premium Account by way of the distribution in specie of the Relevant Shares, being 873,683,120 Global Link Shares currently held by the Company (directly and indirectly through its direct wholly-owned subsidiary, namely Honor Crest Holdings Limited), to the Shareholders whose names appear on the register of members of the Company on the Record Date, on a pro-rata basis in proportion to their respective shareholding interests in the Company as follows:

**For every 10,000 Shares held . . . . . 961 Global Link Shares**

The above basis of Distribution in Specie is determined after taking into account the number of existing issued Shares, the number of the Relevant Shares held by the Company, and that the Qualifying Shareholder needs to hold at least 10,000 Shares in order that he/she/it can have at least 961 Relevant Shares distributed to him/her/it, and with entitlements to the Relevant Shares being rounded down to the nearest whole number. A Qualifying Shareholder holding less than an integral multiple of 10,000 Shares will be entitled to a pro-rata number of Global Link Shares, being rounded down to the nearest whole number of Global Link Shares.

As at 31 December 2017, based on the audited consolidated financial statements of the Company, the amount standing to the credit of the Share Premium Account was approximately HK\$1,481,785,000. Based on the closing price of HK\$0.166 per Global Link Share as traded on the Stock Exchange as at the Latest Practicable Date, the Board will use an amount of HK\$245,976,310 standing to the credit of the Share Premium Account for the payment of the special dividend (assuming the number of issued Shares remains unchanged from the Latest Practicable Date to the date of settlement of the Distribution in Specie). The actual amount standing to the credit of the Share Premium Account to be used for the payment of the special dividend will depend on the closing price of the Global Link Shares as at the date of settlement of the Distribution in Specie.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company, directly and indirectly owned an aggregate of 873,683,120 Global Link Shares, representing approximately 41.83% of the issued share capital of Global Link. The Relevant Shares represent approximately 41.83% of the total number of issued Global Link Shares as at the Latest Practicable Date. The Relevant Shares to be distributed under the Distribution in Specie will rank *pari passu* in all respects with each other and with the remaining Global Link Shares then in issue, save for any dividends or distributions declared, paid or made by Global Link prior to the Record Date. No fraction of a Global Link Share will be distributed. Fractional entitlements to the Relevant Shares pursuant to the Distribution in Specie will not be transferred under the Distribution in Specie but will be retained by the Company immediately after the Distribution in Specie for sale in the market. The net proceeds derived therefrom will be retained for the benefit of the Company.

### **Qualifying Shareholders and Non-Qualifying Shareholders**

For the purpose of the Distribution in Specie, the Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date, are entitled to participate in the Distribution in Specie.

No documents relating to the Distribution in Specie will be registered or filed under the securities legislation of any jurisdiction. Based on the register of members of the Company as at the Latest Practicable Date, there was one Shareholder with registered address outside Hong Kong in the PRC. The Board has made enquiries as to the applicable securities legislation and the requirements of any relevant regulatory body or stock exchange for the Distribution in Specie applicable to the PRC. The Company has been advised that the Distribution in Specie to that Qualifying Shareholder will not give rise to the requirement for a prospectus or other requirements under local securities laws which may be unduly onerous or burdensome. The Distribution in Specie will therefore be made to that Qualifying Shareholder in the PRC.

In the event that after the Record Date but before the Distribution in Specie, there are changes to the applicable securities legislation of the relevant overseas jurisdiction or the requirements of any relevant regulatory body or stock exchange applicable to the Distribution in Specie to the Overseas Shareholders and, based on the advice provided by foreign legal counsel, the Directors are of the view that it would be unduly onerous or burdensome to make the Distribution in Specie to such Overseas Shareholders, then the Board may, at its sole discretion, determine not to extend the Distribution in Specie to such Overseas Shareholders, such Overseas Shareholders will become Non-Qualifying Shareholders. Accordingly, such Non-Qualifying Shareholders (if any) will not receive Global Link Shares pursuant to the Distribution in Specie. In view of the foregoing, arrangements will then be made for the Global Link Shares which would otherwise have been transferred to such Non-Qualifying Shareholders to be sold in the market as soon as possible after the Distribution in Specie, and any net proceeds of sale, after deduction of expenses and duties, will be distributed in Hong Kong dollars to the relevant Non-Qualifying Shareholders at their own risk, except that any net proceeds amount of less than HK\$100 will be retained for the benefit of the Company.

## LETTER FROM THE BOARD

### **Odd lots matching service for the Relevant Shares**

The Company has, at its own costs, appointed China Galaxy International Securities (Hong Kong) Co., Limited (“China Galaxy”) to provide matching service for sale and purchase of odd lots of the Relevant Shares, on a best effort basis, to those entitled to the Distribution in Specie who wish to acquire odd lots of the Relevant Shares to make up a full board lot, or to dispose of their odd lots of the Relevant Shares.

Qualifying Shareholders who wish to utilize the service should contact Mr. Choy Ho Yin of China Galaxy at 3698 6820, 20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong during the period from 9:00 a.m. on Tuesday, 23 October 2018 to 4:00 p.m. on Monday, 12 November 2018, both days inclusive. Holders of odd lots of the Relevant Shares should note that successful matching of such sale and purchase is not guaranteed.

### **Conditions precedent**

It is intended that the payment of the special dividend out of the Share Premium Account by the Distribution in Specie will be conditional upon, inter alia, the following being fulfilled:

- (a) the passing of a special resolution by the Independent Shareholders to approve the Amendment of the Articles in relation to the payment of interim or special dividend out of the Share Premium Account (in addition to out of profit);
- (b) the passing of an ordinary resolution by the Independent Shareholders to approve the payment of the special dividend out of the Share Premium Account by way of the Distribution in Specie; and
- (c) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, or immediately after the special dividend is paid will be, unable to pay its debts as they fall due in the ordinary course of business.

### **Book closure dates**

For the purpose of determining the entitlement to the Distribution in Specie, the register of members of the Company will be closed from Wednesday, 3 October 2018 to Friday, 5 October 2018, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the special dividend, all Share certificates with duly completed transfer forms must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 October 2018. Please refer to the section headed “Expected timetable” in this circular for further details of the timetable relating to Distribution in Specie.

## LETTER FROM THE BOARD

### **Despatch date of the share certificates of the Relevant Shares**

Subject to the fulfillment of the conditions above, the share certificates of the Relevant Shares will be despatched on or about Monday, 15 October 2018.

### **Global Link Group**

Global Link is an investment holding company incorporated in the Cayman Islands, the shares of which are listed on the GEM of the Stock Exchange. Through its subsidiaries, Global Link is principally engaged in provision of passenger information management systems, and development of various community mobile internet applications and related services through the licensed utilization of the CA-SIM patented technology.

### **Reasons for and benefits of the payment of the special dividend out of the Share Premium Account by way of the Distribution in Specie**

The following matters had been taken into account by the Board when considering the Distribution in Specie:

1. the Distribution in Specie is one of the conditions precedent to SPA. It is the intention of the Offeror that the Group will only comprise core assets relating to the CRM business and the newly injected asset management and securities businesses upon the SPA Completion. Therefore, the Distribution in Specie will facilitate the SPA Completion and accordingly, the Offer;
2. the Distribution in Specie will provide the Qualifying Shareholders with an opportunity to directly participate in the investment of and enjoy returns from Global Link. The Distribution in Specie will also provide the Qualifying Shareholders the flexibility to determine the level of their participation in investment in Global Link at their own discretion;
3. as Global Link is listed on the GEM of the Stock Exchange, the Distribution in Specie will allow the Qualifying Shareholders to have an efficient mean to dispose of the Global Link Shares to be received under the Distribution in Specie on the market;
4. the expected synergy of acquiring control in Global Link so that the Company can leverage its knowledge on CA-SIM technology to further improve and develop the "Smart City" business of Global Link was not as significant as initially expected and did not contribute much to the business and financial performance of Global Link. In addition, as one of the conditions precedent to SPA, the Company will dispose of the Sunward Group to Mr. Li and the Company will no longer own the CA-SIM related intellectual properties after completion of the aforementioned disposal. Therefore, the expected synergy between the Company and Global Link will no longer in place after completion of the disposal of the Sunward Group; and

## LETTER FROM THE BOARD

5. since Global Link has become a subsidiary of the Company in April 2016, it continued to record net loss. According to the annual report of Global Link for the year ended 31 March 2018, it recorded total comprehensive loss attributable to equity shareholders of Global Link of approximately HK\$21.9 million and HK\$4.8 million for the years ended 31 March 2017 and 31 March 2018, respectively. Global Link also recorded total comprehensive loss attributable to equity shareholders of Global Link of approximately HK\$2.6 million for the three months ended 30 June 2018. As the Company will not have any interest in Global Link after the Distribution in Specie, the financial results of the Company will no longer be affected by Global Link as a result of the Distribution in Specie.

In light of the above, the Board (including the independent non-executive Directors who have considered the advice from Lego Corporate Finance) considered that the Distribution in Specie was in the interests of both the Company and the Shareholders. Mr. Li and Ms. Li Yin, who are considered to have material interest in the Distribution in Specie, together with the independent non-executive Directors, had abstained from voting at the Board meeting regarding the Distribution in Specie.

### **Effects of payment of special dividend out of the Share Premium Account by way of the Distribution in Specie**

The implementation of the payment of special dividend out of the Share Premium Account does not involve any reduction in the authorized or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares.

Following completion of the Distribution in Specie, the financial results of the Global Link Group will no longer be consolidated into the consolidated financial statements of the Company because the Company will no longer hold any Global Link Shares and Global Link will cease to be a subsidiary of the Company. The total equity of the Group will be reduced by the book carrying amount of consolidated net assets of the Global Link Group attributable to the Group. Based on the annual report of Global Link for the year ended 31 March 2018, its audited consolidated net asset value attributable to equity shareholders of Global Link as at 31 March 2018 amounted to approximately HK\$110.0 million. As at the Latest Practicable Date, the Company was ultimately interested in an aggregate of 873,683,120 Global Link Shares, representing approximately 41.83% of the total issued share capital of Global Link. The actual profit and loss implications on the Group, if any, as a result of the Distribution in Specie upon completion may only be ascertained following the date of settlement of the Distribution in Specie. The Group will monitor the implications and relevant disclosures will be made in the next financial results announcement of the Company if necessary.

## LETTER FROM THE BOARD

### Waiver from compliance with Rule 26 of the Takeovers Code

As at the Latest Practicable Date, Mr. Li and his associates (including Ms. Kwok and Ever Prosper) held approximately 24.32% of the entire issued share capital of Global Link (without taking into account their indirect shareholding interest held through the Company and its wholly owned subsidiary). Upon completion of the Distribution in Specie, the voting rights in Global Link directly held by Mr. Li and his associates will be increased from approximately 24.32% to approximately 53.42%.

As a result of the Distribution in Specie, the voting rights in Global Link of Mr. Li and his associates will increase from less than 30% to more than 30%. Accordingly, in the absence of a waiver, the Distribution in Specie would have triggered a mandatory general offer obligation pursuant to Rule 26.1 of the Takeovers Code, with Mr. Li and parties acting in concert with him being required to extend an offer in terms of Rule 26 to all shareholders of Global Link. In this regard, Mr. Li and his associates have applied for, and the Executive has granted, a waiver to dispense with the requirement to make a mandatory general offer pursuant to Note 6 to Rule 26.1 of the Takeovers Code in relation to the Distribution in Specie.

### C. SPECIAL DEAL AND CONNECTED TRANSACTIONS

#### The Disposal Agreement

**Date:** 30 July 2018 (after trading hours)

**Parties:** (i) the Company as the seller; and  
(ii) Mr. Li as the buyer.

#### *Subject*

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Disposal Shares, free from all encumbrances and together with all rights and benefits attached or accruing to them. The Disposal Shares represent 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited.

#### *Consideration*

The consideration for the sale and purchase of the Disposal Shares shall be HK\$135,000,000 (subject to adjustment as stated below), which should be settled in cash in full at completion of the Disposal Agreement.

In the event that the aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as contained in their respective unaudited consolidated statement of financial position as at the Disposal Completion Date as adjusted by the elimination of any inter-company balances between the Sunward Group and the MZone Group (the “**Completion NAV**”) shall be higher than HK\$135,000,000, the consideration of the Disposal Agreement shall be adjusted to the balance of the Completion NAV.

## LETTER FROM THE BOARD

The consideration for the sale and purchase of the Disposal Shares has been determined after arm's length negotiations between the Company and Mr. Li with reference to the aggregated unaudited consolidated net assets value of the Sunward Group and the MZone Group as at 31 December 2017 as adjusted by the elimination of any inter-company balances between the Sunward Group and the MZone Group.

### *Conditions precedent*

Completion of the Disposal Agreement is conditional upon the following conditions having been fulfilled:

- (a) all necessary approvals by the Independent Shareholders at the EGM;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder having been obtained and not having been revoked;
- (c) there not having occurred any Disposal Material Adverse Effect;
- (d) the warranties given by the Company remaining true and accurate in all respects and not misleading in any respect;
- (e) no notice, order, judgment, action or proceeding of any Authority having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Disposal Agreement or which is reasonably likely to materially and adversely affect the right of Mr. Li to own the legal and beneficial title to the Disposal Shares, free from encumbrances; and
- (f) all conditions precedent to the respective completion of the SPA and the Acquisition Agreement having been fulfilled and/or waived in accordance with the relevant agreements (save for the condition requiring the Disposal Agreement to become unconditional).

If any of the above conditions is not satisfied or waived (except (a), (b) and (f) which are not waivable) on or before 29 January 2019 or such later date as may be agreed between the parties in writing, the Disposal Agreement shall thereupon terminate. As at the Latest Practicable Date, none of conditions (c) to (e) has been waived, and such conditions are expected to be fulfilled upon completion of the Disposal Agreement.

### *Completion*

Completion of the transactions contemplated under the Disposal Agreement shall take place on the third Business Day from and excluding the day on which the last date of the conditions as set out in the section above have been fulfilled or waived (as the case may be) in accordance with the terms of the Disposal Agreement, or such other date as the parties may agree in writing. In any event, completion of the Disposal Agreement shall be inter-conditional on and take place contemporaneously with the completion of the transactions contemplated under the SPA and the Acquisition Agreement.



# LETTER FROM THE BOARD

## *Information on the Disposal Groups*

The Disposal Groups comprise the Sunward Group and the MZone Group.

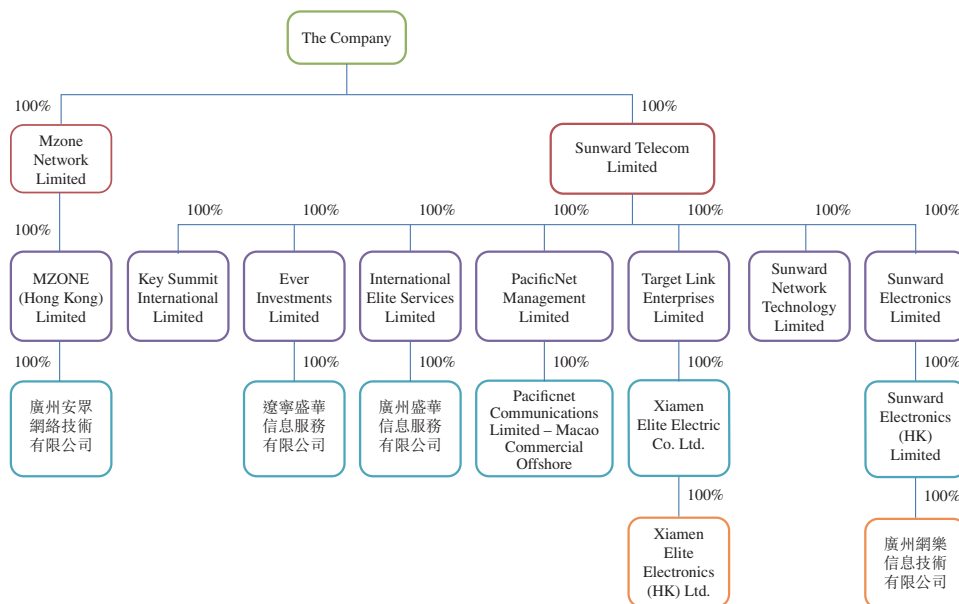
### Sunward Group

Sunward Telecom Limited is a limited liability company incorporated in the British Virgin Islands on 22 December 2005 and its entire share capital was acquired by the Company in September 2010. It is directly wholly owned by the Company and is an investment holding company. Sunward Telecom Limited, through its subsidiaries, is principally engaged in RF-SIM business. RF-SIM is a technology of proprietary intellectual property right that embeds a special-made radio frequency module into a mobile SIM card that complies with GSM specifications. The RF-SIM card is a combination of ordinary mobile phone subscriber identity module card and contactless smartcard. RF-SIM business includes (i) research and development, production and sales of RF-SIM products; (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau; and (iii) research and development and technology transfer of CA-SIM application rights to customers.

### MZone Group

MZone Network Limited is a limited liability company incorporated in the British Virgin Islands by the Company on 14 June 2012 and is directly wholly owned by the Company. MZone Network Limited, as well as its subsidiaries, are principally engaged in investment holding with no material business operation.

The following illustrates the shareholding structure of the Disposal Groups as at the Latest Practicable Date:



## LETTER FROM THE BOARD

Set out below is the financial summary of the Sunward Group and the MZone Group extracted from their respective unaudited management accounts for the two financial years ended 31 December 2016 and 2017:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Sunward Group</b>		
Revenue	12,348	6,103
Loss before taxation	(24,830)	(20,073)
Loss after taxation	(22,155)	(19,479)
<b>MZone Group</b>		
Revenue	–	–
Loss before taxation	(369)	(31)
Loss after taxation	(369)	(31)

Set out below are the unaudited consolidated net asset value/liabilities of the Sunward Group and the MZone Group as at 31 December 2017:

	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	(Unaudited)
	<i>HK\$'000</i>
Consolidated net asset value of the Sunward Group	130,735
Deduct: Amount due from the MZone Group	(35,542)
Consolidated net liabilities of the MZone Group	(7,479)
Add: Amount due to the Sunward Group	35,542
Aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as adjusted by the elimination of inter-company balances	123,256

It is expected that the disposal of the Disposal Groups will result in the estimated gain on disposal of approximately HK\$86.5 million with reference to the initial consideration of the Disposal, the estimated transaction costs in relation to the Disposal, the unaudited net asset value of the Disposal Groups as at 31 December 2017, relevant intangible assets and reserves related to the Disposal Groups recorded by the Group as at 31 December 2017. Shareholders should note that the exact amount of gain on the disposal of the Disposal Groups will be calculated based on the final consideration, the actual direct expenses incurred, the unaudited net asset value of the Disposal Groups as at the Disposal Completion Date, the relevant intangible assets and the amount of reserves to be released. Therefore, the actual gain on the disposal of the Disposal Groups may be different from the amount disclosed above. Upon completion of the Disposal, both the Sunward Group and the MZone Group will cease to be subsidiaries of the Company.

## LETTER FROM THE BOARD

Pursuant to Rule 10 of the Takeovers Code, the unaudited revenue and net losses (before and after taxation) of the Sunward Group and the MZone Group, the aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as adjusted by the elimination of inter-company balances and the estimated gain from the Disposal as set out above, which are required to be disclosed pursuant to Rule 14.58 and Rule 14.60 of the Listing Rules (“**Required Financial Information**”) constitute a profit estimate and must be reported on by the Company’s financial adviser and its auditor or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code. The reports from the Independent Financial Adviser and the Company’s auditor on the Required Financial Information are set out in Appendix III to this circular.

### *Information on Mr. Li*

As at the Latest Practicable Date, Mr. Li is the chairman, executive Director and chief executive officer of the Company. Mr. Li, together with Ms. Kwok and Ever Prosper, are beneficially interested in an aggregate of 6,324,900,000 Shares, representing approximately 69.63% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, Mr. Li is also a controlling Shareholder.

### *Reasons for and benefits of the Disposal*

Similar to the Distribution in Specie, the Disposal is one of the conditions precedent to SPA. It is the intention of the Offeror that the Group will only comprise core assets relating to the CRM business and the newly injected asset management and securities businesses upon the SPA Completion. Therefore, the Disposal will facilitate the SPA Completion and accordingly, the Offer.

As discussed in the paragraph headed “Information on the Disposal Groups” above, the Sunward Group recorded net loss for the two years ended 31 December 2016 and 2017. According to the Company’s annual report for the year ended 31 December 2016, sales of RF-SIM products continued to decline, while CA-SIM products yet to achieve volume sales. The situation was caused by several factors. Firstly, there was a trend that mobile operators were steering to other competing technologies (e.g. WeChat Pay, AliPay, etc.) from RF-SIM under the influence of banks and the payment industry, this resulted in the decline of sales of RF-SIM products. For instance, one of the mobile operators had stopped purchasing RF-SIM products from the Group’s customer, a SIM card vendor in 2016. Secondly, CA-SIM deployment to the mass market with applications including eID was not realized yet to contribute significant revenue to the Group. As a result, the Group encountered significant decline in revenue and suffered from net loss for its RF-SIM business. The RF-SIM business of the Group had not been improved in 2017. According to the Company’s annual report for the year ended 31 December 2017, sales volume increment of RF-SIM products was far below expectation due to (i) the limitation in deployment of RF-SIM products by the choice of mobile network operators; (ii) strong competition from alternative or newer technologies and solutions; and (iii) wide adoption of Quick Response code technology by the payment industry over

## LETTER FROM THE BOARD

the past few years. Although the Group attempted to promote RF-SIM products to non-payment markets including application like e-ID certification during the year ended 31 December 2017, the new initiative was yet to achieve adoption by mass and was yet to bring substantial improvement to the sales of the RF-SIM products. After the Disposal, the Company will not have any interest in Sunward Group and therefore the financial results of the Company will no longer be affected by the Sunward Group.

The MZone Group is principally engaged in investment holding. It did not have any material contribution to the business and financial performance of the Group since its establishment. Therefore, the Directors are of the view that the disposal of the MZone Group will not have any material impact on the operation of the Group, but rather, will benefit the Group to streamline its operation and structure.

The consideration of the Disposal is determined with reference to the aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as at 31 December 2017 as adjusted by the elimination of any inter-company balances between the Sunward Group and the MZone Group. As discussed in the paragraph headed "Information on the Disposal Groups" above, it is expected that the Disposal will result in the estimated gain on the disposal of approximately HK\$86.5 million based on the consideration of the Disposal, the estimated transaction costs in relation to the Disposal, the unaudited net asset value of the Disposal Groups as at 31 December 2017, relevant intangible assets and reserves related to the Disposal Groups.

Based on the above, the Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Mr. Li and Ms. Li Yin, who are considered to have material interest in the Disposal, together with the independent non-executive Directors, have abstained from voting at the Board meeting regarding the Disposal.

### *Use of proceeds from the Disposal*

The net proceeds (after deducting the estimated expenses for the Disposal) to be generated from the Disposal are estimated to be approximately HK\$133.0 million. The Company intends to use the net proceeds from the Disposal for general working capital and funding future business development opportunities of the Group.

## LETTER FROM THE BOARD

### The Acquisition Agreement

- Date:** 30 July 2018 (after trading hours)
- Parties:**
- (i) HCG, as one of the Goldstream Sellers;
  - (ii) Expand Ocean Limited as one of the Goldstream Sellers; and
  - (iii) the Company as buyer.

As of the Latest Practicable Date, each of Goldstream Capital and Goldstream Securities is directly wholly-owned by HCG and Expand Ocean Limited, respectively. Expand Ocean Limited is in turn directly wholly-owned by HCG. For further information, please refer to the sub-section below headed "Information on the parties to the Acquisition Agreement".

#### *Subject of the Acquisition Agreement*

Pursuant to the Acquisition Agreement, the Goldstream Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, the Capital Sale Shares and the Securities Sale Shares (representing 100% of the issued share capital of Goldstream Capital and Goldstream Securities, respectively).

Upon completion of the Acquisition, Goldstream Capital and Goldstream Securities will become wholly-owned subsidiaries of the Company.

#### *Consideration for the Capital Sale Shares and the Securities Sale Shares*

The aggregate consideration for the Capital Sale Shares and the Securities Sale Shares under the Acquisition Agreement is HK\$270 million, which shall be settled by the allotment and issuance of the Consideration Shares (being 2,263,012,321 Shares) by the Company at the issue price of HK\$0.11931 per Consideration Share to the Offeror upon completion of the Acquisition.

The aggregate consideration of HK\$270 million was determined based on arm's length negotiations between the parties, with reference to (i) financial information and capital contribution of Goldstream Capital and Goldstream Securities, including audited net assets attributable to equity holders of Goldstream Capital as at 31 December 2017 of approximately HK\$52.4 million, audited net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 of approximately HK\$7.8 million, and aggregated share capital of Goldstream Capital and Goldstream Securities as at 31 December 2017 of approximately HK\$41.4 million; (ii) development plan and future prospects of the asset management business and securities business carried out by Goldstream Capital and Goldstream Securities respectively; and (iii) AUM of the asset management business of approximately US\$233 million as at 31 May 2018. In order for the Independent Shareholders to make a properly informed decision, the Board has engaged an independent valuer, RHL Appraisal Limited, to perform an independent

## LETTER FROM THE BOARD

valuation on Goldstream Capital. The valuation report on Goldstream Capital is set out in Appendix I to this circular. Based on the valuation report, the market value of Goldstream Capital is HK\$271,085,000 as at 31 May 2018. As Goldstream Securities has not yet commenced its operations as at the Latest Practicable Date, the Board considers appropriate to make reference to its net asset value (approximately HK\$7.8 million as at 31 December 2017) when determining the consideration for the Acquisition, and thus no independent valuation on Goldstream Securities has been performed.

The issue price of HK\$0.11931 per Consideration Share is approximately equal to but not lower than the purchase price per Sale Share as stipulated in the SPA, which has been determined after arm's length negotiations between the Purchaser and the Sellers taking into account the aforesaid purchase price per Sale Share as stipulated in the SPA and the following factors: (i) the historical operating and financial performance of the Group; (ii) the historical and recent trading prices of the Company; (iii) the Distribution in Specie; (iv) the Disposal; (v) the Acquisition; and (vi) the business performance of the Remaining Group. The Consideration Shares represent (i) approximately 24.91% of the existing issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 19.95% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under a specific mandate to be obtained by the Company at the EGM. The Consideration Shares, when issued, will rank *pari passu* in all respects with the then existing Shares in issue.

The issue price of HK\$0.11931 per Consideration Share represents:

- (i) a discount of approximately 28.1% to the closing price of HK\$0.166 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 33.3% to the closing price of HK\$0.179 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 23.0% to the average of closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$0.155 per Share;
- (iv) a discount of approximately 18.8% to the average of closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK\$0.147 per Share;
- (v) a discount of approximately 12.9% to the average of closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of HK\$0.137 per Share; and

## LETTER FROM THE BOARD

- (vi) a premium of approximately 70.4% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.07 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 December 2017, the date to which the latest audited consolidated financial results of the Group were made up.

### *Conditions precedent*

Completion of the Acquisition is conditional upon the following conditions having been fulfilled:

- (a) the passing by the Independent Shareholders at the EGM all resolutions required under the relevant applicable laws and regulations to effect, amongst others, the Acquisition Agreement, the transactions contemplated under the Management Agreements and the Management Service Annual Caps;
- (b) the existing licences and approvals for the carry-on of their respective business by Goldstream Capital and Goldstream Securities remain valid and subsisting and not having been revoked or terminated by the relevant governmental entity(ies);
- (c) listing approval for the trading of the Consideration Shares has been granted by the Listing Committee of the Stock Exchange and such approval has not been revoked by the Stock Exchange;
- (d) the obtaining of the approval by the licensing division of SFC for the Company (or its nominee) to become a substantial shareholder of each of Goldstream Capital and Goldstream Securities;
- (e) all conditions precedent to the respective completion of the Sell Down and the transactions contemplated under the Disposal Agreement and the SPA having been fulfilled or waived (as the case may be) (save for the condition requiring the Acquisition Agreement to become unconditional); and
- (f) there not having occurred any Acquisition Material Adverse Effect.

Conditions (a), (c) and (d) above may not be waived in any event by any of the parties to the Acquisition Agreement. Condition (e) above may only be waived by HCG in writing. Conditions (b) and (f) may only be waived by the Company in writing. As at the Latest Practicable Date, none of conditions (b), (e) or (f) has been waived, and such conditions are expected to be fulfilled upon completion of the Acquisition. The Acquisition Agreement shall be terminated, (i) upon material breach of any provisions by the other party of the Acquisition Agreement; (ii) upon mutual agreement by the parties to the Acquisition Agreement; or (iii) if the conditions above are not fulfilled on or before the Acquisition Long Stop Date. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

## LETTER FROM THE BOARD

### *Completion of the Acquisition Agreement*

Completion of the transactions contemplated under the Acquisition Agreement shall take place on the third Business Day from and excluding the day on which the last date of the conditions as set out in the section above have been fulfilled or waived (as the case may be) in accordance with the terms of the Acquisition Agreement, or such other date as the parties may agree in writing. In any event, completion of the Acquisition Agreement shall be inter-conditional on and take place contemporaneously with the completion of the Sell Down and the transactions contemplated under the SPA and the Disposal Agreement.

### *Information on the Acquisition Group*

Goldstream Capital is incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. It is principally engaged in provision of advisory services on securities and the asset management business. As at 31 May 2018, AUM of Goldstream Capital has amounted to approximately US\$233 million.

Set out below is the financial summary of Goldstream Capital extracted from its audited financial statements for the two financial years ended 31 December 2016 and 2017 prepared in accordance with HKFRSs:

	<b>For the financial year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	(audited)	(audited)
	HK\$'000	HK\$'000
Profit/(loss) before taxation	7,449	(6,755)
Profit/(loss) after taxation	7,449	(6,755)

The audited total assets and net assets attributable to equity holders of Goldstream Capital as at 31 December 2017 were approximately HK\$63.8 million and approximately HK\$52.4 million respectively. Goldstream Capital was acquired by HCG in 2014 at a consideration of HK\$2,650,000.

Goldstream Securities is incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage, subject to certain conditions, in Type 1 (dealing in securities) regulated activity as defined under the SFO. It is principally engaged in securities trading.



## LETTER FROM THE BOARD

Set out below is the financial summary of Goldstream Securities extracted from its audited financial statements for the financial year ended 31 December 2017 and the period from 3 July 2015 (date of incorporation) to 31 December 2016 prepared in accordance with HKFRSs:

	<b>For the financial year ended 31 December 2017</b>	<b>For the period from 3 July 2015 (date of incorporation) to 31 December 2016</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(78)	(129)
Loss after taxation	(78)	(129)

The audited total assets and net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 were approximately HK\$7.8 million and approximately HK\$7.8 million respectively. Goldstream Securities was established by HCG on 3 July 2015 with capital contribution of HK\$1.

### *Information on the parties to the Acquisition Agreement*

Expand Ocean Limited is a company incorporated in the British Virgin Islands with limited liability, and is principally engaged in investments. Expand Ocean Limited is a wholly-owned subsidiary of HCG.

HCG is an exempted limited partnership established under the laws of the Cayman Islands, and is principally engaged in investments across a broad range of sectors including healthcare, consumer products, media and entertainment, financial services and high-end manufacturing. HCG is managed by Hony Group Management Limited (as general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited, a Shareholder holding approximately 9.91% of the issued share capital of the Company as at the Latest Practicable Date.

### *Reasons for and benefits of the Acquisition*

The Board has been from time to time exploring and identifying new business opportunities with an aim to broaden the Group's income stream and enhance the Shareholders' value. The Acquisition Group has licences to carry out Type 1 (dealing in securities) (subject to certain conditions), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. As at 31 May 2018, AUM of Goldstream Capital amounted to approximately US\$233 million. The Group, through the Acquisition, will have instant access to a readily available financial business platform which enables the Group to tap into the financial services sector.

## LETTER FROM THE BOARD

The Acquisition is conditional on, among other things, fulfillment and/or waiver of all conditions precedent to the SPA Completion (save for the condition requiring the Acquisition Agreement to become unconditional). Upon SPA Completion, the Offeror will become the controlling shareholder of the Company. The Offeror is managed by Hony Gold GP Limited. The entire equity interest in Hony Gold GP Limited is held by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners, which in turn is wholly-owned by Exponential Fortune. Hony Capital was founded in 2003 and sponsored by Legend Holdings, specialises in buyout investment. Partnering with the world's leading investors, it focuses on the development of China's real economy with "Value creation, Price Realisation" as its investment philosophy. Hony Capital currently has US\$10 billion assets under management, with investors from China and the world's leading investment institutions. Hony Capital puts China as its top market, with investments in over 100 companies in areas of pharmaceutical and healthcare, media and entertainment, consumer. The aggregate consideration for the Acquisition will be settled by the allotment and issuance of the Consideration Shares. Accordingly, there will be no immediate cash outlays for the Group as a result of the Acquisition.

Taken into account the above, the Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the terms and conditions of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Mr. Li and Ms. Li Yin, who are considered to have material interest in the Acquisition, together with the independent non-executive Directors, have abstained from voting at the Board meeting regarding the Acquisition.

### *Specific mandate and application for listing of the Consideration Shares*

The Consideration Shares will be allotted and issued under a specific mandate to be obtained from the Shareholders at the EGM by an ordinary resolution. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement.

### *Offeror's intention on the Company*

As disclosed in the Joint Announcement, after the close of the Offer, the Offeror intends to continue the CRM business, which is the existing principal business of the Group, and to develop the asset management and securities businesses currently engaged by Goldstream Capital and Goldstream Securities. The Offeror will conduct a review of the business operations and financial position of the Group with a view to formulating a long term strategy and business plan and will explore other business opportunities for the Group. Save as the proposed changes to the Board as mentioned in the Section headed "C. Offeror's Intention on the Company" of the Joint Announcement, the Offeror has no intention to make material changes to the existing operating and management structure of the Group

## LETTER FROM THE BOARD

or to terminate the employment of any employee of the Group. Based on the current plan, the Offeror intends to continue the development of the existing CRM business of the Remaining Group in three ways, namely (i) improvement of infrastructure for existing CRM business; (ii) development of business with existing customers; and (iii) possible development of CRM business with new customers introduced by the Offeror. In particular, the Offeror plans to facilitate the Group in securing new customers for the CRM business in different industries, which may include (i) food and beverage; (ii) healthcare; (iii) media; (iv) tourism; (v) insurance; and (vi) retail. However, the detailed business plan will only be formulated after the review of the business operations and financial position of the Group and any actual developments will be subject to negotiations between the relevant parties.

After the close of the Offer, Ms. Li Yin will remain as Director and the existing management team of the CRM business will continue to manage the CRM business. Ms. Li is currently responsible for the Group's overall management, corporate planning and business development, especially the CRM business. Ms. Li has joined the Group since 2000 and has accumulated over 18 years of experience in the CRM industry. Ms. Li will continue to act as the general manager and manage the day-to-day operation of the CRM business. In light of this, the Group has the required expertise to continue the operation of the CRM business, notwithstanding that all executive Directors (except for Ms. Li) are expected to resign from the Board after close of the Offer. As at the Latest Practicable Date, (i) the Company and the Offeror had not entered into any agreement, arrangement, understanding, negotiation or intention to dispose of, seize operation of or downsize the CRM business; and (ii) the Offeror has no plan that, barring any unforeseen circumstances, the CRM business will cease to be one of the core businesses of the Remaining Group in the coming 24 months. In addition, the Offeror has undertaken that, up to 31 December 2020, it will procure the Company to monitor the actual transaction amounts of the asset management business with connected persons such that revenue generated from the asset management business with connected persons will not exceed 50% of the total revenue of the Group for the respective financial year as a whole.

## LETTER FROM THE BOARD

### D. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Acquisition (including issuance of the Consideration Shares) but before SPA Completion and the Sell Down (set out for illustration only as the Acquisition shall take place contemporaneously with, among other things, the completion of the Sell Down and the transactions contemplated under the SPA); and (iii) immediately upon the SPA Completion, the Sell Down and the issuance of the Consideration Shares (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date):

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Acquisition (including issuance of the Consideration Shares) but before SPA Completion and completion of the Sell Down (For illustration only)		(iii) Immediately upon SPA Completion, issuance of the Consideration Shares and completion of the Sell Down	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
The Sellers						
– Mr. Li	1,150,470,000	12.67	1,150,470,000	10.14	–	–
– Ms. Kwok	3,122,430,000	34.37	3,122,430,000	27.52	684,900,000	6.04
– Ever Prosper	<u>2,052,000,000</u>	<u>22.59</u>	<u>2,052,000,000</u>	<u>18.08</u>	<u>–</u>	<u>–</u>
	6,324,900,000	69.63	6,324,900,000	55.74	684,900,000	6.04
Mr. Li Wen	36,900,000	0.41	36,900,000	0.33	36,900,000	0.33
Mr. Wong Kin Wa	15,000,000	0.17	15,000,000	0.13	15,000,000	0.13
New Investors	–	–	–	–	1,030,000,000	9.08
The Offeror and parties acting in concert with it						
– Jovial Elite Limited	900,000,000	9.91	900,000,000	7.93	900,000,000	7.93
– The Offeror	–	–	2,263,012,321	19.95	6,873,012,321	60.57
	900,000,000	9.91	3,163,012,321	27.88	7,773,012,321	68.50
Other Shareholders	<u>1,806,660,000</u>	<u>19.88</u>	<u>1,806,660,000</u>	<u>15.92</u>	<u>1,806,660,000</u>	<u>15.92</u>
Total	<u>9,083,460,000</u>	<u>100.0</u>	<u>11,346,472,321</u>	<u>100.0</u>	<u>11,346,472,321</u>	<u>100.0</u>

## LETTER FROM THE BOARD

### E. CONTINUING CONNECTED TRANSACTIONS

#### Management Agreements

##### *Fund I*

Pursuant to the Fund I Management Agreement, the Fund Manager has appointed Goldstream Capital as an investment manager to manage and invest the portfolio of Fund I in pursuit of certain investment objectives and subject to certain investment restrictions.

The principal terms of the Fund I Management Agreement are set out below:

**Date:** 23 November 2015, as amended and restated on 30 July 2018

**Parties:**

1. Fund I;
2. Goldstream Capital Management (Cayman) Limited, as the Fund Manager; and
3. Goldstream Capital, as the investment manager.

**Period:** From 23 November 2015 to 31 December 2022.

**Duties of the investment manager:** Goldstream Capital shall, subject to the overall control and supervision of the directors of Fund I and the Fund Manager, manage and invest the portfolio of the Fund I on a discretionary basis in pursuit of the investment objectives and subject to investment restrictions.

**Fees:** Pursuant to the Fund I Fee Letter, with effect from 1 January 2017:

- (1) Goldstream Capital, is remunerated equivalent to 95% of one twelfth (1/12th) of 2% per month of the net asset value of the Fund I's portfolio; and
- (2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Goldstream Capital, among factors including prevailing market practice, condition and extent of services rendered by Goldstream Capital, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

## LETTER FROM THE BOARD

**Termination:** The Fund I Management Agreement and the Fund I Fee Letter may be terminated by one party giving to the other parties not less than 90 days' written notice.

The Fund I Management Agreement and the Fund I Fee Letter may be terminated immediately by notice in writing by any party (the "**notifying party**"), if the other party

- (i) commits any material breach of its obligations and if such breach is capable of being made good, fails to make good such breach within 30 days of receipt of written notice from the notifying party requiring it to do so; or
- (ii) is liquidated or dissolved or is unable to pay its debts as they fall due or commits any act of bankruptcy or if a receiver is appointed over any of its assets.

### *GSD Fund*

Pursuant to the GSD Fund Management Agreement, the Fund Manager shall appoint Goldstream Capital as an investment manager to manage and invest the portfolio of the GSD Fund in pursuit of certain investment objectives and subject to certain investment restrictions.

The principal terms of the GSD Fund Management Agreement are set out below:

**Date:** 7 October 2016, as amended and restated on 30 July 2018

**Parties:**

1. GSD Fund;
2. Goldstream Capital Management (Cayman) Limited, as the Fund Manager; and
3. Goldstream Capital, as the investment manager.

**Period:** From 7 October 2016 to 31 December 2022

**Duties of the investment manager:** Goldstream Capital shall, subject to the overall control and supervision of the directors of GSD Fund and the Fund Manager, manage and invest the portfolio of the GSD Fund on a discretionary basis in pursuit of the investment objectives and subject to investment restrictions.

## LETTER FROM THE BOARD

**Fees:** Pursuant to the GSD Fund Fee Letter, with effect from 1 January 2017:

- (1) Goldstream Capital, is remunerated equivalent to 95% of one twelfth (1/12th) of 2% per month of the net asset value of the GSD Fund's portfolio; and
- (2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Goldstream Capital, among factors including prevailing market practice, condition and extent of services rendered by Goldstream Capital, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

**Termination:** The GSD Fund Management Agreement and the GSD Fund Fee Letter may be terminated by one party giving to the other parties not less than 90 days' written notice.

The GSD Fund Management Agreement and the GSD Fund Fee Letter may be terminated immediately by notice in writing by any party (the "notifying party"), if the other party

- (i) commits any material breach of its obligations and if such breach is capable of being made good, fails to make good such breach within 30 days of receipt of written notice from the notifying party requiring it to do so; or
- (ii) is liquidated or dissolved or is unable to pay its debts as they fall due or commits any act of bankruptcy or if a receiver is appointed over any of its assets.

The Management Agreements, including the management fee and the yearly incentive fee, were determined after arm's length negotiations between the parties with reference to market rates and the obligations and duties of Goldstream Capital under the Management Agreements.

## LETTER FROM THE BOARD

The Fund Manager is a wholly-owned subsidiary of HCG and is principally engaged in investment management. HCG is managed by Hony Group Management Limited (as sole general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited, a Shareholder holding approximately 9.91% of the issued share capital of the Company as at the Latest Practicable Date. After the completion of the Acquisition, the asset management services provided by Goldstream Capital to the Fund Manager will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and will be subject to their respective annual caps as set out below. The Offeror intends to continue to increase the revenue of the asset management business to be generated from independent third parties in future and considers that the reliance on connected persons for the asset management business will continue to be reduced going forward. The Offeror will procure the Company to monitor the actual transaction amounts with connected persons such that revenue generated from the asset management business with connected persons will not exceed 50% of the total revenue of the Group for the respective financial year as a whole up to 31 December 2020.

### **Annual Caps**

The Management Service Annual Caps for the amount of fees receivable by Goldstream Capital under the Management Agreements will be HK\$42,000,000, HK\$74,000,000, HK\$82,000,000, HK\$102,000,000 and HK\$114,000,000 for each of the five financial years ending 31 December 2022, respectively.

The aggregate amount received by Goldstream Capital under the Management Agreements was approximately HK\$96,000, HK\$6,960,000, HK\$32,180,000 for each of the three financial years ended 31 December 2017, respectively.

The Management Service Annual Caps have been calculated and determined after taking into account the following:

- (a) the historic rate of growth in the fees received under the Management Agreements;
- (b) the projected growth in the AUMs subject to the services to be provided under the Management Agreements;
- (c) the expected aggregated AUM of Fund I and GSD Fund, which are estimated to be approximately US\$209 million, US\$314 million, US\$443 million, US\$497 million and US\$562 million for the five years ending 31 December 2022, and the expected annual return of 4% in 2018 and 8% for each of the following four years ending 31 December 2022; and
- (d) historical growth rate of Fund I, GSD Fund and the Hang Seng Index.



## LETTER FROM THE BOARD

### **Reasons for and benefits of the Management Agreements**

As mentioned in the section headed “The Acquisition Agreement”, the Group, through the Acquisition, will have instant access to a readily available financial business platform which enables the Group to gain access to the financial services sector. In determining the aggregate consideration of HK\$270 million for the Acquisition, the Group has taken into account, among other things, AUM of the asset management business of approximately US\$233 million as at 31 May 2018, which included, among others, AUM of Fund I and GSD Fund. Under the Management Agreements, fee income is generated from AUM of Fund I and GSD Fund, which is one of the drivers of revenue of Goldstream Capital. Accordingly, the AUM of Fund I and GSD Fund and therefore the Management Agreements are an integral part in determining Goldstream Capital’s value. The transactions contemplated under the Management Agreements arising from the Acquisition are entered into in the ordinary and usual course of business of the Remaining Group on normal commercial terms upon completion of the Acquisition. Given the fee income generated under the Management Agreements has been one of the sources of revenue of Goldstream Capital, the Company considers it necessary to enter into the Management Agreements to ensure business continuity of Goldstream Capital and derive value from Goldstream Capital’s asset management business through continuous management of the existing funds.

The Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser as regards the transactions contemplated under the Management Agreements) are of the view that the transactions contemplated under the Management Agreements will be in the ordinary course of business of the Remaining Group, were agreed on an arm’s length basis with normal commercial terms that are fair and reasonable and will be in the interests of the Company and the Shareholders as a whole. Notwithstanding that the Management Agreements will expire on 31 December 2022, the Directors consider it is normal business practice for agreements of this type to be of such duration. Mr. Li and Ms. Li Yin, who are considered to have material interest in the transactions contemplated under the Management Agreements, together with the independent non-executive Directors as regards the transactions contemplated under the Management Agreements, have abstained from voting at the Board meeting regarding the transactions contemplated under the Management Agreements.

Upon the SPA Completion and the completion of the transactions contemplated under the Acquisition Agreement, Goldstream Capital and Goldstream Securities will become wholly-owned subsidiaries of the Company, and the transactions contemplated under the Management Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

### **Internal control measures**

The Company will implement the following internal control measures in relation to the transactions contemplated under the Management Agreements. A management committee is set up to oversee the asset management business carried out by Goldstream Capital, which will regularly review and ensure that the asset management business will be carried out in fair terms and also in accordance with relevant regulations. For all the asset management agreements, the Company will ensure that the terms of each of them are entered into in accordance with the latest market practice, after taking into account the investment strategies, portfolio mix and investment restrictions. In particular, the Company will ensure that management agreements to be entered into with connected persons of the Company will be at terms no less favourable than those the Group will offer to independent third parties for similar fund management services. Goldstream Capital's portfolio managers and analysts will also monitor all investments on a continuous basis to ensure investments being made in accordance with the terms of the governing fund documents and investment mandates. Goldstream Capital's compliance function will also perform independent monitoring to ensure investment opportunities are allocated in an equitable manner through sample checking.

The Company will also implement the following internal control measures to monitor the Management Service Annual Caps. A responsible staff in the finance department of the Group will make weekly projection on the monthly management fees and yearly performance fees with reference to actual transaction amounts received up to date, the terms of the Management Agreements and the net asset value of each account under managed. The projected amount will be compared against the applicable Management Service Annual Caps and the projected total revenue of the Group for the year. The management committee, comprising senior management of the Group, will review the aforesaid projection and comparison. If the management committee, after taking into account factors including the market conditions, financial performance of the Group and the fiduciary duties of the Group to both the Shareholders and the fund investors, is of the view that the applicable Management Service Annual Cap will not be sufficient, it will report to the Board for approval of appropriate actions, including seeking Shareholders' approval for revised annual caps. In the event that no revised annual caps have been approved by the Shareholders, the Company will take appropriate actions such as suspending new subscriptions to Fund I and GSD Fund, such that the transaction amount under the Management Agreements will not exceed the applicable Management Service Annual Caps or 50% of the Group's total revenue.

In addition, independent non-executive Directors and auditors of the Company will perform review on the Management Agreements and the transactions contemplated thereunder in accordance with the Listing Rules.

## LETTER FROM THE BOARD

### F. LISTING RULES IMPLICATIONS AND TAKEOVERS CODE IMPLICATIONS

#### (i) The Disposal

As at the date of the Disposal Agreement, Mr. Li is the chairman, executive Director and chief executive officer of the Company, and a controlling Shareholder. As one or more of the applicable percentage ratios in respect of the Disposal Agreement is more than 5% but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Disposal constitutes a "special deal" under Note 4 to Rule 25 of the Takeovers Code. The Disposal will be conditional upon, among others, obtaining the consent of the Executive. The Executive will normally consent to the Special Deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the Special Deal is arm's length transaction on normal commercial terms and that its terms are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the EGM by way of poll. An application has been made to the Executive for its consent to the Special Deal pursuant to Note 4 to Rule 25 of the Takeovers Code.

#### (ii) The Acquisition

As at the date of the Acquisition Agreement, the Offeror and parties acting in concert with it own 900,000,000 Shares, representing approximately 9.91% of the total issued share capital of the Company. Immediately following the SPA Completion and the issuance of the Consideration Shares (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date), the Offeror and parties acting in concert with it will own 7,773,012,321 Shares, representing approximately 68.50% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares, and become a controlling Shareholder. As Goldstream Capital and Goldstream Securities are ultimately controlled by the associates of the Offeror, and one or more of the applicable percentage ratios in respect of the Acquisition Agreement is more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company according to Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules.

## LETTER FROM THE BOARD

### (iii) The Management Agreements

Upon the SPA Completion and the Acquisition, the transactions contemplated under Management Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the Management Service Annual Caps are more than 5%, the transactions contemplated under the Management Agreements and the Management Service Annual Caps are subject to the reporting, announcement and the Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

### G. EGM

A notice convening the EGM to be held at 11:00 a.m. on Monday, 24 September 2018 at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

EGM will be held for the purpose of considering and, if thought fit, approving, among others, the resolutions in respect of the Amendments to the Articles, the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Service Annual Caps and the specific mandate to allot and issue the Consideration Shares by way of poll. The Sellers and the Offeror, their respective associates and parties acting in concert with any of them; and any shareholders who are involved in or interested in any of the SPA, the Disposal Agreement, the Acquisition Agreement, the Management Agreements and the respective transactions contemplated thereunder will abstain from voting on the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, the Sellers and Jovial Elite Limited held an aggregate of 7,224,900,000 Shares, representing approximately 79.54% of the existing issued Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolutions to be proposed at the EGM.

## LETTER FROM THE BOARD

### H. RECOMMENDATION

The Directors (other than the independent non-executive Directors whose views are included in the letter from the Independent Board Committee) consider that the terms of the Disposal Agreement, the Acquisition Agreement, the Management Agreements and the Management Services Annual Caps are fair and reasonable, and the Amendments to the Articles, the Distribution in Specie, the Disposal, the Acquisition and the transactions contemplated under the Management Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Amendments to the Articles, the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition (including the specific mandate to allot and issue the Consideration Shares), the transactions contemplated under the Management Agreements and the Management Services Annual Caps.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 44 to 45 of this circular and the letter from Lego Corporate Finance as set out on pages 46 to 90 of this circular.

### I. ADDITIONAL INFORMATION

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

By order of the Board  
**International Elite Ltd.**  
**Li Kin Shing**  
*Chairman, Chief Executive Officer  
and Executive Director*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.*



**INTERNATIONAL ELITE LTD.**

**精英國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1328)**

- (1) DISTRIBUTION IN SPECIE OF SHARES IN GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED;  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF MZONE NETWORK LIMITED AND SUNWARD TELECOM LIMITED;  
(3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF GOLDSTREAM CAPITAL MANAGEMENT LIMITED AND GOLDSTREAM SECURITIES LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND  
(4) CONTINUING CONNECTED TRANSACTIONS**

31 August 2018

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 31 August 2018 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the Distribution in Specie, the Disposal Agreement (transactions contemplated thereunder constitute the Special Deal), the Acquisition Agreement, the transactions contemplated under the Management Agreements and the Management Services Annual Caps. Lego Corporate Finance has been appointed as the independent financial adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 12 to 43 of the Circular and the letter from Lego Corporate Finance set out on pages 46 to 90 of the Circular which contains its advice to us and the Independent Shareholders in respect of the Distribution in Specie, the Disposal Agreement (transactions contemplated thereunder constitute the Special Deal), the Acquisition Agreement, the transactions contemplated under the Management Agreements and the Management Services Annual Caps.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATION

Having considered the terms of the Distribution in Specie, the Disposal Agreement, the Acquisition Agreement and the Management Agreements as well as the advice and recommendation of Lego Corporate Finance as stated in its letter of advice, we consider the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements, the Management Services Annual Caps and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Distribution in Specie, the Disposal (which constitutes the Special Deal), the Acquisition (including the specific mandate to allot and issue the Consideration Shares), the Management Agreements, the Management Services Annual Caps and the transactions contemplated thereunder.

Yours Faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Chen Xue Dao**  
*Independent Non-executive  
Director*

**Mr. Cheung Sai Ming**  
*Independent Non-executive  
Director*

**Mr. Liu Chun Bao**  
*Independent Non-executive  
Director*

## LETTER FROM LEGO CORPORATE FINANCE

*The following is the full text of a letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the Management Agreements, the Management Service Annual Caps and the transactions contemplated thereunder.*



31 August 2018

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

- (1) DISTRIBUTION IN SPECIE OF THE GLOBAL LINK SHARES;**
- (2) SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF MZONE NETWORK LIMITED AND SUNWARD TELECOM LIMITED;**
- (3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF ENTIRE ISSUED SHARE CAPITAL OF GOLDSTREAM CAPITAL MANAGEMENT LIMITED AND GOLDSTREAM SECURITIES LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND**
- (4) CONTINUING CONNECTION TRANSACTIONS**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the Management Agreements, the Management Service Annual Caps and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated 31 August 2018 (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 otherwise requires.

On 30 July 2018, the Sellers have entered into the SPA with the Offeror, pursuant to which the Sellers have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. The SPA Completion, which is conditional upon the fulfilment (or, where applicable, waiver) of the conditions precedent to the SPA including, among others, all conditions precedent to the respective completion of the Disposal Agreement and the Acquisition Agreement having been fulfilled or waived, and the consummation of the Distribution in Specie. The SPA Completion shall be



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inter-conditional on and take place contemporaneously with the completion of the Sell Down and the transactions contemplated under the Acquisition Agreement and the Disposal Agreement. The Distribution in Specie is conditional on, among others, the passing of an ordinary resolution by the Independent Shareholders to approve the payment of the special dividend out of the Share Premium Account by way of the Distribution in Specie. Immediately following the SPA Completion and the issuance of the Consideration Shares (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date), the Offeror and parties acting in concert with it will own 7,773,012,321 Shares, representing approximately 68.50% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares and become a controlling Shareholder. Accordingly, the Offeror is required to make the Offer immediately upon the SPA Completion pursuant to Rule 26.1 of the Takeovers Code.

On 30 July 2018, the Company as seller and Mr. Li as purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Disposal Shares, representing 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited, at the consideration of HK\$135 million, subject to adjustment. Upon completion of the Disposal Agreement, each of the Sunward Group and the MZone Group will cease to be subsidiaries of the Company.

On even date, HCG and Expand Ocean Limited as the Goldstream Sellers and the Company as the purchaser entered into the Acquisition Agreement, pursuant to which the Goldstream Sellers conditionally agreed to sell and the Company conditionally agreed to purchase the Capital Sale Shares and the Securities Sale Shares, representing 100% of the issued share capital of Goldstream Capital and Goldstream Securities, respectively. Upon completion of the Acquisition, Goldstream Capital and Goldstream Securities will become wholly-owned subsidiaries of the Company.

As at the Latest Practicable Date, Mr. Li is the chairman, executive Director and chief executive officer of the Company and a controlling Shareholder. According to the Letter from the Board, as one or more of the applicable percentage ratios in respect of the Disposal Agreement is more than 5% but are all less than 25% and Mr. Li is a connected person of the Company, the Disposal constitutes a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Immediately following the SPA Completion and the issuance of the Consideration Shares (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date), the Offeror will become a controlling Shareholder. As the Goldstream Capital and Goldstream Securities are ultimately controlled by the associates of the Offeror, and one or more of the applicable percentage ratios in respect of the Acquisition Agreement is more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company according to Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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Upon the SPA Completion and completion of the Acquisition, the transactions contemplated under the Management Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the Management Service Annual Caps are more than 5%, the transactions contemplated under the Management Agreements and the Management Service Annual Caps are subject to the reporting, announcement and the Independent Shareholders approval requirements under Chapter 14A of the Listing Rules. In addition, since the Management Agreements will expire on 31 December 2022 and have a duration longer than three years. Pursuant to Rule 14A.52 of the Listing Rules, we will explain why the Management Agreements require a longer period and whether it is normal business practice for agreements of this type to be of such duration.

As the Disposal is not capable of being extended to all the Shareholders, the Disposal constitutes a “special deal” under Note 4 to Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive. An application has been made to the Executive for consent to the Special Deal. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly states in its opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable, and (ii) the approval of the Disposal by the Independent Shareholders by way of poll at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bao, has been formed to advise the Independent Shareholders as to whether the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Service Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions to be proposed at the EGM to approve the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Service Annual Caps. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in this respect and to advise the Independent Shareholders as to how they should vote on the resolutions to be proposed at the EGM, and our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. We are not associated or connected with the Company, Mr. Li, the Offeror or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement between the Company and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Service Annual Caps.

## **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 and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; 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 material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and opinions expressed to us by them and that all information or representations regarding the Group, the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the transactions contemplated under the Management Agreements and the Management Service Annual Caps provided to us by the Group, the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the period after the Latest Practicable Date until the date of the EGM as soon as possible. The Shareholders will also be informed by us as soon as practicable should there be any material changes to our opinion after the Latest Practicable Date until the date of the EGM. We have also relied on the responsibility statements made by the Directors contained in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, the advisers of the Company.

We consider that we have reviewed the 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 of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or any of their respective subsidiaries or associates.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion, we have considered the following principal factors and reasons:

### **A. Background Information**

#### *1. Information on the Group*

The Company, through its subsidiaries, is a CRM outsourcing service provider which principally engages in the provision of inbound services and outbound services to companies in various service-oriented industries and the research and development, production and sales of RF-SIM products and licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau as well as the research and development and technology transfer of CA-SIM application right to customers. Through Global Link Group, the Company is also engaged in the provision of passenger information management system (the “PIMS”).

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The following table is a summary of the consolidated financial information of the Company for the years ended 31 December 2016 and 2017, as extracted from the annual report of the Company for the year ended 31 December 2017 (“2017 Annual Report”).

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	328,670	295,489
– CRMS business	258,697	237,455
– RF-SIM business	8,798	6,103
– PIMS business ( <i>Note</i> )	61,175	51,931
Gross profit	16,173	27,321
(Loss) for the year attributable to the owners of the Company	<u>(49,200)</u>	<u>(33,166)</u>
	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	383,856	443,071
Net assets	<u>673,470</u>	<u>716,523</u>

*Note:* PIMS business segment is resulted from the consolidation of Global Link Group.

With reference to the above table, the revenue of the Group increased by approximately 11.2% from approximately HK\$295.5 million for the year ended 31 December 2016 to approximately HK\$328.7 million for the year ended 31 December 2017. Such increase was mainly due to increase in revenue generated from the CRMS business, as the Group has broadened its customer base and successfully entered into a number of CRM agreements with customers in 2017. According to the 2017 Annual Report, the Group continued to seek further cooperation with customers in the telecommunications industry and at the same time broaden its non-telecommunications customer base through active negotiation with potential customers in various industries and has successfully acquired service contracts from new customers. In 2017, the Group continued to provide internet CRM services to established telecommunications service providers as well as customers in non-telecommunication industries. Furthermore, the Group has integrated internet and mobile phone applications to develop an artificial intelligence system and be able to redirect customers by using intelligent robots. Going forward, the Directors anticipate that there will be a growing demand for quality intelligent CRM outsourcing solution from various industries in local and overseas markets and the Directors are confident that the Group can capture the lucrative opportunities

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provided by these future growth drivers. On the other hand, the sales volume increment of RF-SIM products in the RM-SIM business segment was far below the Directors' expectation due to factors including the limited deployment of RF-SIM and CA-SIM products by the choice of mobile network operators, strong competition from alternative or newer technologies and solutions, and the more widely adopted Quick Response (QR) code technology. For the year ended 31 December 2017, the Group recorded a significant decrease in gross profit of approximately 40.8%, which was mainly due to the combined effect of the decrease in gross profit from CRMS business as well as the gross loss from RF-SIM business. As a result of the above and the consolidation of the loss-making results of Global Link Group, the Group recorded a loss attributable to the owners of the Company of approximately HK\$49.2 million for the year ended 31 December 2017.

Due to the dissatisfactory financial performance as stipulated in the above, the Group recorded net cash used in operating activities of approximately HK\$71.5 million for the year ended 31 December 2017. Accordingly, cash and cash equivalents of the Group decreased from approximately HK\$443.1 million as at 31 December 2016 to approximately HK\$383.9 million as at 31 December 2017, and the net asset value correspondingly decreased from approximately HK\$716.5 million to approximately HK\$673.5 million.

The Group completed the subscription of shares of Global Link in April 2016 and the Global Link Group became subsidiaries of the Company following completion of the subscription. Nonetheless, the Group distributed 254,336,880 shares of Global Link to the Shareholders in December 2016 and thereafter the Group was interested in approximately 41.83% of the issued share capital of Global Link. As disclosed in the Joint Announcement, the expected synergy of acquiring control in Global Link so that the Company can leverage its knowledge on CA-SIM technology to further improve and develop the "Smart City" business of Global Link was not as significant as initially expected and did not contribute much to the business and financial performance of Global Link, which can also be noted from the above loss-making performance of the PIMS business. Following the Distribution in Specie, the Company will not have any interest in Global Link and the financial results of the Company will no longer be affected by Global Link.

### 2. *Information on the Global Link Group*

Global Link is an investment holding company incorporated in the Cayman Islands, the shares of which are listed on GEM of the Stock Exchange. Through its subsidiaries, Global Link is principally engaged in provision of passenger information management systems, and development of various community mobile internet applications and related services through the licensed utilisation of the CA-SIM patented technology.

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The following table is a summary of the consolidated financial information of the Global Link Group for the years ended 31 March 2017 and 2018, as extracted from the annual report of Global Link for the year ended 31 March 2018 (“GL 2018 Annual Report”).

	<b>For the year ended 31 March</b>	
	<b>2018</b> (audited) <i>HK\$'000</i>	<b>2017</b> (audited) <i>HK\$'000</i>
Revenue	93,150	55,967
Gross profit	24,511	3,979
Selling expenses	(15,614)	(9,604)
(Loss) for the year	<u>(4,778)</u>	<u>(21,904)</u>
	<b>As at 31 December</b>	
	<b>2017</b> (audited) <i>HK\$'000</i>	<b>2016</b> (audited) <i>HK\$'000</i>
Net assets	<u>109,947</u>	<u>112,676</u>

As noted from the table above, revenue of Global Link Group increased from approximately HK\$56.0 million for the year ended 31 March 2017 to approximately HK\$93.2 million for the year ended 31 March 2018, representing an increase of approximately 66.4%. According to the GL 2018 Annual Report, such increase was primarily due to the supply of 9 train routes in domestic and foreign cities with passenger information systems according to the delivery plans of signed contracts for the supply of goods. As a result of the increase in revenue, gross profit of Global Link Group increased significantly from approximately HK\$4.0 million for the year ended 31 March 2017 to approximately HK\$24.5 million for the year ended 31 March 2018, representing an increase of approximately 5.2 times. Despite the significant increase in gross profit, Global Link Group continued to record a loss of approximately HK\$4.8 million for the year ended 31 March 2018, which was mainly due to the significant increase in selling expenses which comprised the costs on market development along with the construction of Smart City in Panyu District, Guangzhou, and investment in the market of train information system products for rail transit. According to the GL 2018 Annual Report, Global Link Group continued to focus on the implementation of Smart City construction of Panyu District, Guangzhou, and communicated and negotiated with telecom operators in respect of the implementation of the issuance and service management of the mobile phone CA-SIM people’s welfare card during the year ended 31 March 2018. Due to changes in operating policies of the operators, negotiation of cooperation took a longer time. It is expected that the issuance of mobile phone CA-SIM people’s welfare card will be commenced in the second half of 2018.

3. *Information on the Remaining Group*

Following completion of the Distribution in Specie, the Disposal and the Acquisition, the Remaining Group shall comprises (i) the CRM business on the provision of inbound services and outbound services to companies in various service-oriented industries; (ii) the asset management business; and (iii) provision of advisory services on securities. As disclosed in the Joint Announcement, after the close of the Offer, the Offeror intends to continue the CRM business, which is the existing principal business of the Group, and to develop the asset management and securities businesses currently engaged by Goldstream Capital and Goldstream Securities. The Offeror will conduct a review of the business operations and financial position of the Group with a view to formulating a long term strategy and business plan and will explore other business opportunities for the Group.

Based on the current plan, the Offeror intends to continue the development of the existing CRM business of the Remaining Group in three ways, namely (i) improvement of infrastructure for existing CRM business; (ii) development of business with existing customers; and (iii) possible development of CRM business with new customers introduced by the Offeror. In particular, the Offeror plans to facilitate the Group in securing new customers for the CRM business in different industries, which may include (i) food and beverage; (ii) healthcare; (iii) media; (iv) tourism; (v) insurance; and (vi) retail. However, the detailed business plan will only be formulated after the review of the business operations and financial position of the Group and any actual developments will be subject to negotiations between the relevant parties.

4. *Information on the Purchaser and the Goldstream Sellers*

According to the Letter from the Board, the Purchaser is an exempted limited partnership established under the laws of Cayman Islands on 3 August 2017 as an investment vehicle and its sole general partner is Hony Gold GP Limited, who is the only party responsible for investment decision making of the Purchaser. The entire equity interest of Hony Gold GP Limited is held by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners, which in turn is wholly owned by Exponential Fortune Group Limited ("**Exponential Fortune**"), and 20% equity interest of which is held by Right Lane Limited, a wholly-owned subsidiary of Legend Holdings Corporation whose H shares are listed on the Main Board of the Stock Exchange (stock code: 3396). Hony Group Management Limited indirectly holds entire equity interest in Jovial Elite Limited, a Shareholder holding approximately 9.91% of the issued share capital of the Company as at the Latest Practicable Date. As at Latest Practicable Date, Exponential Fortune was held as to 49% by Mr. Zhao John Huan, and the remaining 51% was held by Mr. Cao Yonggang and Mr. Xu Minsheng equally. The series of private equity investment funds, together with their respective management companies/general partners ultimately owned by Exponential Fortune. Hony Capital was founded in 2003, specialises in buyout investment. Partnering with the world's leading investors, it focuses on the development of China's real economy

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with “Value creation, Price Realisation” as its investment philosophy. Hony Capital currently has US\$10 billion assets under management, with investors from China and the world’s leading investment institutions. Hony Capital puts China as its top market, with investments in over 100 companies in areas of pharmaceutical and healthcare, media and entertainment, consumer. Each of Mr. Zhao John Huan, Mr. Cao Yonggang and Mr. Xu Minsheng is a managing partner of Hony Capital.

Each of Goldstream Capital and Goldstream Securities is directly wholly-owned by HCG and Expand Ocean, respectively. Expand Ocean is in turn directly wholly-owned by HCG.

HCG is an exempted limited partnership established under the laws of the Cayman Islands, and is principally engaged in investments across a broad range of sectors including healthcare, consumer products, media and entertainment, financial services and high-end manufacturing. HCG is managed by Hony Group Management Limited (as general partner), 80% equity interest of which is held by Hony Managing Partners. Hony Managing Partners indirectly holds 80% of interests in Jovial Elite Limited, a Shareholder holding approximately 9.91% of the issued share capital of the Company as at Latest Practicable Date.

Expand Ocean Limited is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investments. Expand Ocean is a wholly-owned subsidiary of HCG.

### **B. Distribution in Specie**

According to the Letter from the Board, the Board proposed a special dividend out of Share Premium Account by way of the distribution in specie of the Relevant Shares, being 873,683,120 Global Link Shares currently held by the Company (directly and indirectly through its direct wholly-owned subsidiary namely Honor Crest Holdings Limited), to the Shareholders whose names appear on the register of members of the Company on the Record Date, on a pro-rata basis in proportion to their respective shareholding interests in the Company as follows:

**For every 10,000 Shares held . . . . . 961 Global Link Shares**

The above basis of Distribution in Specie is determined after taking into account the number of existing issued Shares, the number of the Relevant Shares held by the Company, and that the Qualifying Shareholder needs to hold at least 10,000 Shares in order that he/she/it can have at least 961 Relevant Shares distributed to him/her/it, and with entitlements to the Relevant Shares being rounded down to the nearest whole number. A Qualifying Shareholder holding less than an integral multiple of 10,000 Shares will be entitled to a pro-rata number of Global Link Shares, being rounded down to the nearest whole number of Global Link Shares.



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As at the Latest Practicable Date, the Company, directly and indirectly owned an aggregate of 873,683,120 Global Link Shares, representing approximately 41.83% of the issued share capital of Global Link. Following completion of the Distribution in Specie, the Company will no longer hold any Global Link Shares. No fraction of a Global Link Share will be distributed. Fractional entitlements to the Relevant Shares pursuant to the Distribution in Specie will not be transferred under the Distribution in Specie but will be retained by the Company immediately after the Distribution in Specie for sale in the market. The net proceeds derived therefrom will be retained for the benefit of the Company.

### *Odd lots matching service for the Relevant Shares*

The Company has appointed China Galaxy to provide matching service for sale and purchase of odd lots of the Relevant Shares, on a best effort basis, to those entitled to the Distribution in Specie who wish to acquire odd lots of the Relevant Shares to make up a full board lot, or to dispose of their odd lots of the Relevant Shares. For details, please see “Odd lots matching service for the Relevant Shares” in the Letter from the Board.

### *Reasons for and benefits of the payment of the special dividend out of the Share Premium Account by way of the Distribution in Specie*

The following matters had been taken into account by the Board when considering the Distribution in Specie:

1. the Distribution in Specie is one of the conditions precedent to SPA. It is the intention of the Offeror that the Group will only comprise core assets relating to the CRM business and the newly injected asset management and securities businesses upon the SPA Completion. Therefore, the Distribution in Specie will facilitate the SPA Completion and accordingly, the Offer;
2. the Distribution in Specie will provide the Qualifying Shareholders with an opportunity to directly participate in the investment of and enjoy returns from Global Link. The Distribution in Specie will also provide the Qualifying Shareholders the flexibility to determine the level of their participation in investment in Global Link at their own discretion;
3. as Global Link is listed on GEM of the Stock Exchange, the Distribution in Specie will allow the Qualifying Shareholders to have an efficient mean to dispose of the Global Link Shares to be received under the Distribution in Specie on the market;
4. the expected synergy of acquiring control in Global Link so that the Company can leverage its knowledge on CA-SIM technology to further improve and develop the “Smart City” business of Global Link was not as significant as initially expected and did not contribute much to the business and financial performance of Global Link. In addition, as one of the conditions precedent to SPA, the Company will dispose of the Sunward Group to Mr. Li and the

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Company will no longer own the CA-SIM related intellectual properties after completion of the aforementioned disposal. Therefore, the expected synergy between the Company and Global Link will no longer in place after completion of the disposal of the Sunward Group; and

5. since Global Link has become a subsidiary of the Company in April 2016, it continued to record net loss. According to the GL 2018 Annual Report, it recorded total comprehensive loss attributable to equity shareholders of Global Link of approximately HK\$21.9 million and HK\$4.8 million for the years ended 31 March 2017 and 31 March 2018, respectively. As the Company will not have any interest in Global Link after the Distribution in Specie, the financial results of the Company will no longer be affected by Global Link as a result of the Distribution in Specie.

In assessing the fairness and reasonableness of Distribution in Specie, we consider that the Distribution in Specie, the Disposal, the Acquisition and the Offer shall form a package and having considered that:

1. Global Link had been loss making for the past five years and has been negatively affecting the financial results of the Company since the acquisition of the interests in Global Link in 2016. Despite the acquisition of the controlling interests in Global Link in 2016 in anticipation of the Group's CA-SIM technology could improve the business of Global Link, the synergy effect was not significant as demonstrated by the continuing loss-making position of Global Link over the past two years. In this regard, the disposal of the interests in Global Link by the Distribution in Specie shall be an efficient way to improve the financial performance of the Group;
2. the passing of the resolution for the Distribution in Specie is a condition precedent to the SPA Completion which may not be waived, and the completion of the SPA, the Disposal and the Acquisition are inter-conditional to each other. Given the reasons as set forth in "Reasons for and benefits of the Disposal" and "Reasons for and benefits of the Acquisition" below, it is necessary to conduct the Distribution in Specie to facilitate the Acquisition, the Disposal and the Offer and enable the Independent Shareholders to enjoy the benefits of the aforementioned transactions;
3. since the interests in Global Link are proportionally distributed to the Independent Shareholders under the Distribution in Specie, the Independent Shareholders are provided with an option to either hold on their investment in the distributed Global Link Shares or to release them with an efficient mean by disposing the Global Link Shares on GEM;

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4. following the Distribution in Specie, the shareholder base of Global Link will be significantly expanded by the existing shareholder base of the Company, which shall enhance the liquidity of the Global Link Shares and enable the Independent Shareholders to either disposal of or further invest in Global Link more efficiently; and
5. the Distribution in Specie will not have any dilutive effect to the existing shareholders of Global Link while on the other hand expanded its shareholder base,

we concur with the Board that the Distribution in Specie is in the interests of both the Company and the Independent Shareholders as a whole.

### C. The Disposal

#### 1. *The Disposal Agreement*

On 30 July 2018, the Company as seller and Mr. Li as purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Disposal Shares, free from all encumbrances and together with all rights and benefits attached or accruing to them. The Disposal Shares represent 100% of the issued share capital of MZone Network Limited and Sunward Telecom Limited. Upon completion of the Disposal, each of the Sunward Group and the MZone Group will cease to be subsidiaries of the Company.

Since Mr. Li is a shareholder of the Company and the Disposal is not capable of being extended to all the Shareholders, the Disposal constitutes a “special deal” under Note 4 to Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly states in its opinion that the terms of the Disposal are fair and reasonable, and (ii) the approval of the Disposal by the Independent Shareholders at the EGM.

#### 2. *Information on the Disposal Groups*

Sunward Telecom Limited is a limited liability company incorporated in the British Virgin Islands and its entire share capital was acquired by the Company in September 2010. It is directly wholly owned by the Company and is an investment holding company. Sunward Telecom Limited, through its subsidiaries, is principally engaged in RF-SIM business. RF-SIM is a technology of proprietary intellectual property right that embeds a special-made radio frequency module into a mobile SIM card that complies with GSM specifications. The RF-SIM card is a combination of ordinary mobile phone subscriber identity module card and contactless smartcard. RF-SIM business includes (i) research and development, production and sales of RF-SIM products; (ii) licensing of the RF-SIM operation rights in markets other than Hong Kong and Macau; and (iii) research and development and technology transfer of CA-SIM application rights to customers.

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MZone Network Limited is a limited liability company incorporated in the British Virgin Islands and is directly wholly owned by the Company. MZone Network Limited, as well as its subsidiaries, are principally engaged in investment holding with no material business operation.

Set out below is the financial summary of the Sunward Group and the MZone Group for the years ended 31 December 2016 and 2017 as extracted from their unaudited management accounts:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Sunward Group</b>		
Revenue	12,348	6,103
Loss before taxation	(24,830)	(20,073)
Loss after taxation	(22,155)	(19,479)
<b>MZone Group</b>		
Revenue	–	–
Loss before taxation	(369)	(31)
Loss after taxation	(369)	(31)

Set out below are the unaudited consolidated net asset value/liabilities of the Sunward Group and the MZone Group as at 31 December 2017:

	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	(Unaudited)
	<i>HK\$'000</i>
Consolidated net asset value of Sunward Group	130,735
Deduct: Amount due from MZone Group	(35,542)
Consolidated net liabilities of MZone Group	(7,479)
Add: Amount due to Sunward Group	35,542
Aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as adjusted by the elimination of inter-company balances	<u>123,256</u>

The unaudited consolidated net assets of the Sunward Group as at 31 December 2017 was approximately HK\$130.7 million and the unaudited consolidated net liabilities of the MZone Group as at 31 December 2017 was approximately HK\$7.5 million. It is expected that the disposal of the Disposal

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Groups will result in the estimated gain on disposal of approximately HK\$86.5 million with reference to the initial consideration of the Disposal, the estimated transaction costs in relation to the Disposal, the unaudited net asset value of the Disposal Groups as at 31 December 2017. Upon completion of the Disposal, both the Sunward Group and the MZone Group will cease to be subsidiaries of the Company.

Pursuant to Rule 10 of the Takeovers Code, the unaudited revenue and net losses (before and after taxation) of the Sunward Group and the MZone Group, the aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as adjusted by the elimination of inter-company balances and the estimated gain from the Disposal as set out above, which are required to be disclosed pursuant to Rule 14.58 and Rule 14.60 of the Listing Rules (the “**Required Financial Information**”) constitute a profit estimate and must be reported on by the Company’s financial adviser and its auditor or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code. The reports from the Independent Financial Adviser and the Company’s auditor on the Required Financial Information are set out in Appendix III to the Circular.

### *3. Reasons for and benefits of the Disposal*

The Disposal is one of the conditions precedent to SPA. According to the Letter from the Board, it is the intention of the Offeror that the Group will only comprise core assets relating to the CRM business and the newly injected asset management and securities business upon the SPA Completion. Therefore, the Disposal will facilitate the SPA Completion and accordingly, the Offer.

As discussed in the paragraph headed “Information on the Disposal Groups” above, the Sunward Group recorded net loss for the two years ended 31 December 2016 and 2017. According to the annual report of the Company for the year ended 31 December 2016, sales of RF-SIM products continued to decline, while CA-SIM products yet to achieve volume sales. The situation was caused by several factors. Firstly, there was a trend that mobile operators were steering to other competing technologies (e.g. WeChat Pay, AliPay, etc.) from RF-SIM under the influence of banks and the payment industry, this resulted in the decline of sales of RF-SIM products. For instance, one of the mobile operators had stopped purchasing RF-SIM products from the Group’s customer, a SIM card vendor in 2016. Secondly, CA-SIM deployment to the mass market with applications including e-ID was not realised yet to contribute significant revenue to the Group. As a result, the Group encountered significant decline in revenue and suffered from net loss for its RF-SIM business. The RF-SIM business of the Group had not been improved in 2017. According to the 2017 Annual Report, sales volume increment of RF-SIM products was far below expectation due to (i) the limitation in deployment of RF-SIM products by the choice of mobile network operators; (ii) strong competition from alternative or newer technologies and solutions; and (iii) wide adoption of Quick Response code technology by the payment industry over the past few years. Although the Group attempted to promote RF-SIM products to non-payment markets including application like e-ID certification during the year ended 31

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December 2017, the new initiative was yet to achieve adoption by mass and was yet to bring substantial improvement to the sales of the RF-SIM products. After completion of the Disposal, the Company will not have any interest in the Sunward Group and therefore the financial results of the Company will no longer be affected by the Sunward Group.

The MZone Group did not have any material contribution to the business and financial performance of the Group since its establishment. Therefore, the Directors are of the view that the disposal of the MZone Group will not have any material impact on the operation of the Group, but rather, will benefit the Group to streamline its operation and structure.

The net proceeds (after deducting the estimated expenses for the Disposal) to be generated from the Disposal are estimated to be approximately HK\$133 million. The Company intends to use the net proceeds from the Disposal for general working capital and funding future business development opportunities of the Group.

Based on the above, the Directors are of the view that the transactions contemplated under the Disposal Agreement are in the interests of the Company and the Independent Shareholders as a whole.

#### *4. The Disposal Consideration*

The consideration for the sale and purchase of the Disposal Shares shall be HK\$135 million (subject to adjustment) (the “**Disposal Consideration**”), which should be settled in cash in full at completion of the Disposal Agreement. The Disposal Consideration was determined after arm’s length negotiations between the Company and Mr. Li with reference to the unaudited consolidated net asset value of the Sunward Group and the MZone Group respectively as at 31 December 2017 as adjusted by the elimination of any inter-company balances between the Sunward Group and the MZone Group. Based on the management accounts of the Sunward Group and the MZone Group, save for the inter-company balances between the Sunward Group and the MZone Group, there were no amount due from/to other subsidiaries of the Group.

In the event that the aggregated unaudited consolidated net asset value of the Sunward Group and the MZone Group as contained in their respective unaudited consolidated statement of financial position as at the Disposal Completion Date as adjusted by the elimination of any inter-company balances between the Sunward Group and the MZone Group (the “**Completion NAV**”) shall be higher than HK\$135 million, the Disposal Consideration shall be adjusted to the balance of the Completion NAV.

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### Comparison with comparable companies

Price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”) are the most commonly used benchmarks. However, as the Disposal Groups were loss making during their latest financial year, the P/E is therefore not applicable. Given that the Disposal Consideration was determined with reference to the unaudited consolidated net asset value of the Disposal Groups and subject to upward adjustment mechanism to the Completion NAV, the Disposal Consideration could be regarded as having an implied P/B ratio of at least 1.0 time. We therefore adopted the P/B analysis to assess the fairness and reasonableness of the Disposal Consideration.

For the purpose of our analysis, we have searched for companies listed on the Stock Exchange which are engaged in similar lines of business as the Disposal Groups, being the RF-SIM business. As we could not identify any company that were solely engaged in this business, we have extended our search to include listed companies on the Stock Exchange principally engaged in the manufacture and sales of electronic components in telecommunication business, and with at least a quarter of their revenue in their respective latest financial year derived from such business for comparison. To the best of our knowledge and as far as we are aware of, we have identified four companies (the “Disposal Comparables”) that met the said criteria, which represented an exhaustive list. The table below illustrates the details of the Disposal Comparables based on their closing prices as at the Last Trading Day and their latest published financial information:

Company name	Stock code	Principal business	P/B (times)
Willas-Array Electronics (Holdings) Ltd.	854	Trading of electronic components and trading and designing integrated circuits.	0.6
AKM Industrial Co. Ltd.	1639	Manufacturing and sale of flexible printed circuit and flexible packaging substrates, sourcing and sale of electronic components.	2.8
S.A.S. Dragon Holdings Ltd.	1184	Distribution of electronic components and semiconductors products; properties investments; distribution of sports products; and distribution of LED lighting products.	1.0

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Company name	Stock code	Principal business	P/B (times)
Datronix Holdings Ltd.	889	Manufacturing and trading of electronic components.	0.5
		<b>Maximum</b>	<b>2.8</b>
		<b>Minimum</b>	<b>0.5</b>
		<b>Average</b>	<b>1.2</b>
<b>The Disposal</b>			<b>1.0</b>

*Source:* The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown from the table above, the P/Bs of the Disposal Comparables ranged from approximately 0.5 times to 2.8 times and their average is approximately 1.2 times. The implied P/B of the Disposal of 1.0 time is hence within the range of the Disposal Comparables. Although the implied P/B of the Disposal is lower than the average of the Disposal Comparables, we noted that three out of the four Disposal Comparables were profit making in their respective latest financial year. Having considered the loss making financial results of the Disposal Groups and the implied P/B of the Disposal falls within the P/B range of the Disposal Comparables, we consider the Disposal Consideration to be fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above, we are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

### D. The Acquisition

#### 1. *The Acquisition Agreement*

On 30 July 2018, HCG and Expand Ocean Limited as the Goldstream Sellers and the Company as the purchaser entered into the Acquisition Agreement, pursuant to which the Goldstream Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, the Capital Sales Shares and the Securities Sale Shares, representing 100% of the issued share capital of Goldstream Capital and Goldstream Securities, respectively. Upon completion of the Acquisition Agreement, Goldstream Capital and Goldstream Securities will become wholly-owned subsidiaries of the Company.



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### 2. *Information on the Acquisition Group*

Goldstream Capital is incorporated in Hong Kong with limited liability and is a licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. It is principally engaged in provision of advisory services on securities and the asset management business of portfolio management and maintenance.

Set out below is the financial summary of Goldstream Capital for the years ended 31 December 2016 and 2017 prepared in accordance with HKFRSs:

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	34,446	6,958
Profit/(loss) before taxation	7,449	(6,755)
Profit/(loss) after taxation	7,449	(6,755)

The audited total assets and net assets attributable to equity holders of Goldstream Capital as at 31 December 2017 were approximately HK\$63.8 million and approximately HK\$52.4 million respectively. Goldstream Capital was acquired by HCG in 2014 at a consideration of HK\$2,650,000.

As illustrated in the table above, Goldstream Capital recorded a profit of approximately HK\$7.4 million for the year ended 31 December 2017 as compared to a loss of approximately HK\$6.8 million for the year ended 31 December 2016. As advised by the Directors, we understand that Goldstream Capital only commenced its fund management business in late 2015 with one fund under its management during the start-up stage. In 2017, as Goldstream Capital expanded its fund portfolio from one to four funds under management, Goldstream Capital recorded significant increase in revenue generated from management fee and performance fee paid by the funds. In 2018 and up to the Latest Practicable Date, Goldstream Capital had further expanded its fund portfolio to five. As at 31 May 2018, Goldstream Capital acted as fund manager for five funds with various investment strategies and market focus, and the aggregate AUM of Goldstream Capital amounted to approximately US\$233 million.

Goldstream Securities is incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage, subject to certain conditions, in Type 1 (dealing in securities) regulated activity as defined under the SFO. It is principally engaged in securities trading.

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Set out below is the financial summary of Goldstream Securities for the period from 3 July 2015 (date of incorporation) to 31 December 2016 and the year ended 31 December 2017 prepared in accordance with HKFRSs:

	<b>For the year ended 31 December 2017 (audited) HK\$'000</b>	<b>For the period from 3 July 2015 (date of incorporation) to 31 December 2016 (audited) HK\$'000</b>
Loss before taxation	(78)	(129)
Loss after taxation	(78)	(129)

The audited total assets and net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 were approximately HK\$7.8 million and approximately HK\$7.8 million respectively. Goldstream Securities was established by HCG on 3 July 2015 with capital contribution of HK\$1.

As disclosed in the Letter from the Board, Goldstream Securities has been dormant since its incorporation before Goldstream Securities obtained the licence to carry on Type 1 (dealing in securities) regulated activity from the SFC on 6 March 2017. Accordingly, no turnover has been generated by Goldstream Securities during the year ended 31 December 2016. We were further advised by the Directors that Goldstream Securities has yet to commence its business as at the Latest Practicable Date.

### 3. *Industry overview of the business of the Acquisition Group*

Goldstream Capital is principally engaged in provision of advisory services on securities and the asset management business, and Goldstream Securities is principally engaged in securities trading.

According to statistics published by the SFC, as at the end of March 2018, the Stock Exchange was ranked six worldwide and third in Asia in terms of market capitalisation. The market size of the Stock Exchange has also been growing over the past years. As at the end of 2015, there were a total of 1,866 companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange, with total market capitalisation of approximately HK\$24,683.5 billion. The number of companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange increased to 1,973 with market capitalisation of approximately HK\$24,761.3 billion as at the end of 2016, and further increased to 2,179 with total market capitalisation of approximately HK\$34,138.5 billion as at the end of the first quarter of 2018.

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With reference to the “Asset and Wealth Management Activities Survey 2017” published by the SFC in July 2018 (the “SFC Survey”), the asset management and fund advisory business exhibited a growing trend in the past five years. The total market size of the fund management business recorded a year-on-year increase of 23% and reached approximately HK\$17,511 billion in 2017, among which approximately HK\$15,354 billion were asset management and fund advisory business (excluding REITs) carried out by licensed corporations. Over the past five years, over 50% of the asset management business were managed in Hong Kong. With well-established investment platform and new initiatives such as Stock Connect and Bond Connect, Hong Kong attracted both international and Mainland companies to operate asset management business.

#### 4. *Reasons for and benefits of the Acquisition*

As disclosed in the Letter from the Board, the Board has been from time to time exploring and identifying new business opportunities with an aim to broaden the Group’s income stream and enhance the Shareholders’ value. The Acquisition Group has licences to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. As at 31 May 2018, AUM of Goldstream Capital amounted to approximately US\$233 million. The Group, through the Acquisition, will have instant access to a readily available financial business platform which enables the Group to tap into the financial services sector.

According to the Letter from the Board, Hony Capital was founded in 2003 and sponsored by Legend Holdings, specialises in buyout investment. Partnering with the world’s leading investors, it focuses on the development of China’s real economy with “Value creation, Price Realisation” as its investment philosophy. Hony Capital currently has US\$10 billion assets under management, with investors from China and the world’s leading investment institutions. Hony Capital puts China as its top market, with investments in over 100 companies in areas of pharmaceutical and healthcare, media and entertainment, consumer. As further noted from the website of Hony Capital, Hony Capital’s portfolio companies include, among others, China Shijiazhuang Pharmaceutical Group Limited, Zoomlion Heavy Industry Science and Technology Co., Ltd., China International Marine Containers (CIMC), COFCO Capital Corporation, etc. The total assets value of these companies amounted to approximately RMB2.9 trillion. After completion of the Acquisition, the Group will be able to leverage on Hony Capital’s expertise, experience, resources and business network to develop comprehensive asset management and financial services business. The aggregate consideration for the Acquisition will be settled by the allotment and issuance of the Consideration Shares. Accordingly, there will be no immediate cash outlays for the Group as a result of the Acquisition.

While Goldstream Capital has been loss making during the year ended 31 December 2016, upon our enquiry, we understand that such loss-making position was primarily due to that Goldstream Capital had been starting up its existing asset management business in late 2015 and 2016 and most of the funds managed by it

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were incepted around May to August 2017. Accordingly, limited revenue from management of fund were generated by Goldstream Capital during the year ended 31 December 2016. Following the inception of the funds in 2017, Goldstream Capital began to generate revenue amounted to approximately HK\$34.4 million from a fixed management fee based on the AUM as well as performance fee based on the performance of the funds, and accordingly recorded a profit of approximately HK\$7.4 million for the year ended 31 December 2017. We have also obtained and reviewed (i) the biographies of the fund managers of Goldstream Capital and noted that they process the relevant experiences and historical track record in fund management; and (ii) the performance of the funds managed by Goldstream Capital and we noted that all the funds managed by Goldstream Capital had generated positive returns since their inception.

### 5. *The Acquisition Consideration*

The aggregate consideration for the Capital Sale Shares and the Securities Sale Shares under the Acquisition Agreement is HK\$270 million (the “**Acquisition Consideration**”), which shall be settled by the allotment and issuance of the Consideration Shares (being 2,263,012,321 Shares) by the Company at the issue price of HK\$0.11931 per Consideration Share.

The aggregate consideration of HK\$270 million was determined based on arm’s length negotiations between the parties to the Acquisition Agreement with reference to (i) financial information and capital contribution of Goldstream Capital and Goldstream Securities, including audited net assets attributable to equity holders of Goldstream Capital as at 31 December 2017 of approximately HK\$52.4 million, audited net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 of approximately HK\$7.8 million, and aggregated share capital of Goldstream Capital and Goldstream Securities as at 31 December 2017 of approximately HK\$41.4 million; (ii) development plan and future prospects of the asset management business and securities business carried out by Goldstream Capital and Goldstream Securities respectively; and (iii) AUM of the asset management business of approximately US\$233 million as at 31 May 2018.

The Consideration Shares represent (i) approximately 24.91% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.95% of the Company’s issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under a specific mandate to be obtained by the Company at the EGM. The Consideration Shares, when issued, will rank *pari passu* in all respects with the then existing Shares in issue.

5.1 *Valuation*

The Board has engaged an independent valuer, RHL Appraisal Ltd. (the “**Valuer**”), to perform an independent valuation on Goldstream Capital. Based on the valuation report, the market value of Goldstream Capital as at 31 May 2018 of HK\$271,085,000 presents slight premium over the Acquisition Consideration after adjusted for the audited net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 of approximately HK\$7.8 million.

In order to assess the basis in determining the consideration for the Acquisition Consideration, we have reviewed the valuation report prepared by the Valuer as contained in Appendix I to the Circular and discussed with the Valuer and the Directors in respect of the valuation of Goldstream Capital (the “**Valuation**”). For the purpose of due diligence, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer’s qualification and experience in relation to the performance of the Valuation; and (iii) the steps taken by the Valuer when conducting the Valuation.

Qualification of the Valuer

From the mandate letter and other relevant information provided by the Valuer and based on our interview with the Valuer, we noted that the Valuer is a qualified asset appraisal firm to perform valuation works in Hong Kong. We have discussed with the Valuer in relation to their experiences and understood that the responsible person of the Valuer possess sufficient qualifications and six years of experience in providing valuation services for a number of listed companies in Asia-Pacific and the American region. The Valuer has also provided valuation services for companies operating in a wide range of industries, including financial services industry. The Valuer has also confirmed that they are independent to the Group, the Goldstream Sellers and the Offeror. We have reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Therefore, on such basis, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate.

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### Valuation methodology

We were given to understand that the Valuer has considered three generally accepted approaches in the valuation, namely the income approach, the asset approach and the market approach. As advised by the Valuer, given that Goldstream Capital is principally engaged in asset management business which is subject to market volatility and hence a reliable financial projection of Goldstream Capital is not available, the Valuer was not able to conduct the Valuation using income approach. The asset approach is considered to be not appropriate as it might not be able to capture the future economic benefits contributed by the subject assets and from the business operation easily. On the other hand, market approach considers prices recently paid for similar assets related to the subject company's major business industry, with adjustments made to the indicated market prices to reflect condition and utility of the appraised business relative to the market comparatives. Given there are market comparables with public information, we concur with the Valuer that the market approach is the most appropriate method in arriving the Valuation.

Reference to the valuation report, we noted that a total of four listed companies have been selected for the Valuation. We noted that the selection criteria used in the Valuation include companies that (i) listed on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the New York Stock Exchange with active trading in a reasonable period of time; (ii) engaged in asset management and advise of securities in operation in Hong Kong and the PRC; and (iii) business of asset management contributes a major source to the total revenues to the overall business and the business operation will continue in the coming future. We have reviewed the Valuation and discussed with the Valuer regarding the aforesaid selection criteria and we understand that only companies engaging in similar business segment to Goldstream Capital were selected. In evaluating the selection criteria of the Valuer, we have independently searched for comparable companies to Goldstream Capital and noted similar results. On such basis, we consider that the selection criteria are fair and reasonable for the purpose of comparison and the comparable companies are able to serve as good pricing indicators in determining the Valuation.

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Upon our inquiry to the Valuer, we were informed that various multiples have been considered to deliver a fair valuation result. We understand that for companies engaged in the asset management business similar to that of Goldstream Capital, the major drivers of their value are derived almost from revenue source, which is represented by the amount of AUM, while valuation multiples with reference to net book value of these companies may not provide a good indication to the values of these companies, price-to-book ratio and enterprise value-to-book ratio are thus not considered in the valuation. As sales, earnings before interest and tax and earning are figures relating to the performance of the business, these figures are volatile in the return cycle of investment stock market and thus they are not considered appropriate references in the Valuation. As price-to-AUM is less volatile of managed investments, the price-to-AUM multiple is adopted for the Valuation. The Valuer has further applied a lack of marketability discount of 20% and a control premium of 30% to the valuation results. Based on our enquiry, we further understand from the Valuer that in determining the level of marketability discount, they have derived from the results of a put option model. As to the control premium, the premium of 30% was derived with from a research result as published by an international merger and acquisition information provider for the first quarter in 2018, which included transactions in the first quarter of 2018 where the acquired target was a publicly traded company.

In the course of our assessments, we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal basis and assumptions. Based on the aforementioned due diligence work, we are of the opinion that the rationale behind the Valuation are acceptable and the Valuation was fairly and reasonably determined by the Valuer.

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### 5.2 Comparison with comparable companies

In order to assess the fairness and reasonableness of the Acquisition Consideration, we have considered various valuation approaches, including P/E, P/B and price to AUM ratio (“**P/AUM**”). Since the majority of the fund contracts of Goldstream Capital were entered in 2017, the profitability of Goldstream Capital is not accurately reflected in its results for the year ended 31 December 2017. Given the above and that Goldstream Securities was loss-making for the year ended 31 December 2017, the P/E is not a meaningful method to be used in the comparison. As the Acquisition Consideration was determined primarily based on the asset management business of Goldstream Capital and in view of the business nature of Goldstream Capital, being asset management whereas its management fee income depends on its AUM, we have adopted the P/AUM for our analysis. We have search and identified two companies listed on the Stock Exchange that were principally engaged in asset management with their AUM disclosed in their latest financial reports. Given the limited number of comparables and that the funding source of Goldstream Capital is mainly from the PRC, we have extended our searches to companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange and we identified one additional company that met our said criteria (the “**AUM Comparables**”), which represented an exhaustive list. Based on the above, we are of the opinion that the AUM Comparables are fair and representative samples to illustrate the fairness and reasonableness of the Acquisition Consideration. The table below illustrates the details of the AUM Comparables based on their closing prices as at the Last Trading Day and the AUM as disclosed in their latest published financial report:

Company name	Stock code	Principal activities	AUM (HK\$' million)	P/AUM (times)
Value Partner Group Limited	806	Provides investment management services to investment funds and managed accounts, and small loan businesses	134,090	0.09
Sheng Yuan Holdings Limited	851	Trading of products, brokerage and financial services, asset management services and proprietary trading	10,400	0.08
Kunwu Jiuding Investment Holdings Co., Ltd	600053 (Shanghai Stock Exchange)	Private equity investment management business and development and operation of real estate business	40,445	0.23
		<b>Maximum</b>		<b>0.23</b>
		<b>Minimum</b>		<b>0.08</b>
		<b>Average</b>		<b>0.13</b>
<b>The Acquisition</b>			<b>1,817</b>	<b>0.15</b>

Source: The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn))



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As shown from the table above, the P/AUMs of the AUM Comparables ranged from approximately 0.08 times to 0.23 times and their average is approximately 0.13 times. The implied P/AUM of the Acquisition of approximately 0.15 time is hence within the range of the AUM Comparables. Despite the implied P/AUM of the Acquisition is higher than the average of the AUM Comparables, it is noted that one of the comparable company, Sheng Yuan Holdings Limited, was loss making during its latest financial year. Excluding this company, the average P/AUM of the AUM Comparables is approximately 0.16 times and is in line with the P/AUM of the Acquisition.

### 5.3 Comparison with comparable transactions

To further assess the fairness and reasonableness of the consideration, we have further searched on the website of the Stock Exchange on a best effort basis for transactions conducted by companies listed on the Stock Exchange involving the acquisitions of the licensed corporation(s) which carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, from 1 August 2017 to 30 July 2018, being the one-year period prior to the date of the Acquisition Agreement, for conducting a P/E analysis as these transactions did not disclose the AUM of such target companies. Given the nature of such kind of business that their revenue is not generated from their assets, the commonly adopted valuation benchmark P/B was hence not adopted. To the best of our knowledge and endeavour, we have identified nine transactions that met the said criteria (the “**Comparable Transactions**”), which are exhaustive as far as we are aware of, for comparison. Although the P/E is not an ideal method in assessing the fairness and reasonableness of the consideration as explained above, given that the AUM of the target companies involving in the Comparable Transactions were not available, we have nonetheless listed out the P/E of the Comparable Transactions below as a general reference to illustrate the transactions involving the acquisitions of companies with similar businesses to that of the Acquisition Group. Set out below are the details of the Comparable Transactions:

Date of announcement	Company name	Stock code	Transaction	P/E (times)
20 July 2018	G-Resources Group Limited	1051	The target, through its subsidiaries, holds licenses to carry out Type 1, Type 2, Type 4, Type 5, Type 6 and Type 9 regulated activities under the SFO	NA <sup>(Note)</sup>
14 June 2018	Eternity Investment Limited	764	Acquiring approximately 23.93% of the target company, which is a licensed corporation to carry out Type 1, Type 2, Type 4 and Type 9 regulated activities under the SFO	NA <sup>(Note)</sup>

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<b>Date of announcement</b>	<b>Company name</b>	<b>Stock code</b>	<b>Transaction</b>	<b>P/E (times)</b>
3 June 2018	Pak Tak International Limited	2668	Acquiring 28% equity interest of the target company, with its subsidiaries being licensed corporations to carry out Type 1, Type 2, Type 4, Type 6 and Type 9 regulated activities under the SFO	77.29
28 March 2018	Hao Tian International Construction Investment Group Limited	1341	Target company's subsidiaries are licensed corporations to carry out Type 1, Type 4 and Type 9 regulated activities under the SFO	NA <sup>(Note)</sup>
25 February 2018	Quali-Smart Holdings Limited	1348	One of the target companies is a licensed corporation under the SFO, registered to conduct Type 4 and Type 9 regulated activities under the SFO	3.91
13 February 2018	Guoan International Limited	143	The target company is a licensed corporation to carry out Type 1, Type 4 and Type 9 regulated activities under the SFO	27.18
25 January 2018	Enerchina Holdings Limited	622	Acquiring remaining 11.78% equity interest of the target company, of which its subsidiaries are licensed corporation to carry out Type 1, Type 4, Type 6 and Type 9 regulated activities under the SFO	NA <sup>(Note)</sup>
19 January 2018	S.Culture International Holdings Limited	1255	Target group is principally engaged in Type 1, Type 4, Type 6 and Type 9 regulated activities under SFO	33.07
8 August 2017	Legend Strategy International Holdings Group Company Limited	1355	Target company is principally engaged in Type 9 regulated activities under the SFO	95.24
			<b>Maximum</b>	<b>95.24</b>
			<b>Minimum</b>	<b>3.91</b>
			<b>Average</b>	<b>47.34</b>
	<b>The Acquisition</b>			<b>36.25</b>

Source: The Stock Exchange web-site (www.hkex.com.hk)

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*Note:* The P/E of the respective Comparable Transaction was not available as the target company recorded loss in its latest full financial year prior to the date of the respective announcement.

As shown from the table above, the P/Es of the Comparable Transactions ranged from approximately 3.91 times to 95.24 times with an average of approximately 47.34 times. The implied P/E of the Acquisition of approximately 36.25 times is hence within the range and lower than the average of the Comparable Transactions. We note that the range of P/Es for the Comparable Transactions are wide. This might be due to specific circumstances facing each of the Comparable Transactions. Given the wide range, we consider that the P/Es for the Comparable Transactions may not be useful as a direct reference to the fairness and reasonableness of the Acquisition Consideration. Therefore, in forming our opinion, we have considered the results of the above analysis together with all other factors stated in this letter as a whole.

Having considered that (i) the Valuation was fairly and reasonably determined by the Valuer and the Acquisition Consideration (after adjusted for the audited net assets attributable to equity holders of Goldstream Securities as at 31 December 2017 of approximately HK\$7.8 million) represents a discount of approximately 3.4% to the Valuation; (ii) the analysis of the P/AUM; and (iii) the analysis of the implied P/E of the Acquisition, we consider the Acquisition Consideration to be fair and reasonable so far as the Independent Shareholders are concerned.

### *5.4 The issue price for Consideration Share*

The issue price of HK\$0.11931 per Consideration Share (the “**Issue Price**”) was equal to the Offer Price and was approximately equal to but not lower than the purchase price per Sale Share as stipulated in the SPA.

The Issue Price of HK\$0.11931 per Share represents:

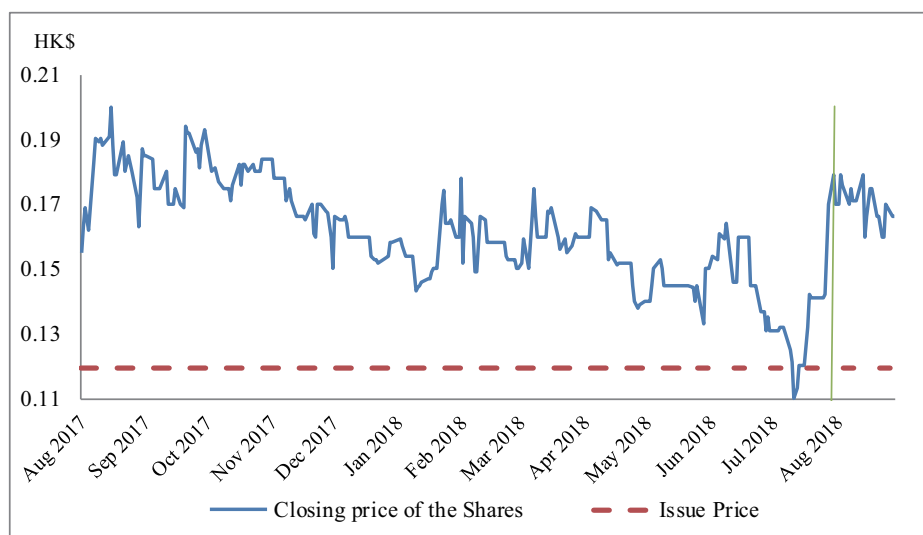
- (i) a discount of approximately 28.1% to the closing price of HK\$0.166 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 33.3% to the closing price of HK\$0.179 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 23.0% to the average of closing price of HK\$0.155 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 18.8% to the average of closing price of HK\$0.147 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately up to and including the Last Trading Day;

## LETTER FROM LEGO CORPORATE FINANCE

- (v) a discount of approximately 12.9% to the closing price of HK\$0.137 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 70.4% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.07 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 December 2017, the date to which the latest audited consolidated financial results of the Group were made up.

### 5.5 Historical performance of Share price

In assessing the fairness of the Issue Price, we have assessed the daily closing price of the Shares during the period commencing from 1 August 2017 (being approximately one year before the date of the Acquisition Agreement) up to and including the Latest Practicable Date (the “**Review Period**”), to illustrates the recent trading performance of the Shares. The comparison of the historical closing price of the Shares during the Review Period and the Issue Price are illustrated as follows:



Source: The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

## LETTER FROM LEGO CORPORATE FINANCE

During the Review Period, the daily closing price of the Shares as quoted on the Stock Exchange ranged from HK\$0.11 to HK\$0.2 and demonstrated a general sliding trend. The Issue Price of HK\$0.11931 hence falls within the said price range. It was noted that the closing price of the Shares increased significantly since the day immediately before the Last Trading Day. As confirmed by the Directors, save for the pending release of the Joint Announcement, they were not aware any circumstances that led to the surge in the price of the Shares during the period.

### *5.6 Comparison with comparable companies for issue of consideration shares*

To assess the fairness and reasonableness of the Issue Price, we have identified, to the best of our knowledge and as far as we are aware of, 10 notifiable transactions (the “**Share Comparables**”) conducted by companies listed on the Stock Exchange involving the issue of shares to satisfy part or all of the consideration of the acquisition during the period from 1 May 2018 to 30 July 2018, being the approximate three months period before the Last Trading Day and they are exhaustive. Shareholders should note that the business, operations and prospect of the Company are not the same as the Share Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Share Comparables. However, for the purpose of providing the Independent Shareholders with a general reference for common market practice of companies listed on the Stock Exchange in transactions which involved the issue of share as consideration for acquisitions, we consider the Share Comparables to be fair and representative. The table below summarises our relevant findings:

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Date of announcement	Company name	Stock code	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to announcement/ the date of agreement in relation to the respective issue of shares	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to announcement/ the date of agreement in relation to the respective issue of shares	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days up to and including the last trading day prior to announcement/ the date of agreement in relation to the respective issue of shares
30 July 2018	V1 Group Limited	82	(40.40)	(35.90)	3.67
5 July 2018	China Baoli Technologies Holdings Limited	164	(22.58)	(15.00)	(27.94)
25 June 2018	ENN Energy Holdings Limited	2688	(1.23)	4.49	2.96
19 June 2018	Kiu Hung International Holdings Limited	381	170.27	140.38	187.36
5 June 2018	Jiayuan International Group Limited	2768	(3.54)	(5.79)	(5.31)
30 May 2018	GR Properties Limited	108	2.56	(2.44)	(4.79)
24 May 2018	China Grand Pharmaceutical and Healthcare Holdings Limited	512	(33.80)	(33.00)	(25.24)
9 May 2018	Inspur International Limited	596	(2.93)	(2.21)	2.89
5 May 2018	Madison Holdings Group Limited	8057	4.65	1.47	0.95
3 May 2018	New Concepts Holdings Limited	2221	(12.30)	(10.30)	(11.84)
		<b>Minimum</b>	<b>(40.40)</b>	<b>(35.90)</b>	<b>(27.94)</b>
		<b>Maximum</b>	<b>170.27</b>	<b>140.38</b>	<b>187.36</b>
		<b>Average</b>	<b>6.07</b>	<b>4.17</b>	<b>12.27</b>
	<b>The Acquisition</b>		<b>(33.30)</b>	<b>(23.00)</b>	<b>(12.90)</b>

Source: The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

## LETTER FROM LEGO CORPORATE FINANCE

As shown by the above table, the issue prices of the consideration shares of the Share Comparables ranged from a discount of approximately 40.40% to a premium of approximately 170.27% to/over the respective closing price per share on the last trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share. Excluding Kiu Hung International Holdings Limited as an outlier, the average issue prices of the consideration shares of the Share Comparables represents a discount of approximately 12.17%. The Issue Price represented a discount of approximately 33.3% to the closing price of HK\$0.179 per Share as quoted on the Stock Exchange on the Last Trading Day, which falls within the aforementioned market range. Although the discount of approximately 33.3% was close to the lower end of the Share Comparables, we noted that the closing price of the Shares increased significantly since the day immediately before the Last Trading Day. In this regard, we have also considered the average closing price per share for the last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share of the Share Comparables, which ranged from a discount of approximately 35.90% to a premium of approximately 140.38%. Excluding Kiu Hung International Holdings Limited as an outlier, the average closing price per share for the last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of the consideration shares of the Share Comparables represents a discount of approximately 10.96%. We noted that while the average of the Share Comparables for the last trading day and the last five consecutive trading days did not diverge from each other, the price comparison for the Issue Price for the Last Trading Day and the last five consecutive trading days illustrated results with significant difference. To diminish the distortion effect on the surge on price of Shares since the day immediately before the Last Trading Day, we considered the comparison on the Issue Price with the average closing prices of the Shares for the 30 consecutive trading days up to and including the Last Trading Day to be a fair comparison. As shown by the above table, the average closing price per share for the 30 consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share of the Share Comparables ranged from a discount of approximately 27.94% to a premium of approximately 187.36% to/over the respective average closing price per share for the last 30 consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of consideration share. Excluding Kiu Hung International Holdings Limited as an outlier, the average of the average closing price per share for the 30 consecutive trading days prior to/on the date of the announcement/agreement in relation to the respective issue of the consideration shares of the Share Comparables represents a discount of approximately 7.18%. The Issue Price represents a discount of approximately 12.90% to the average closing price of the Shares for the 30 consecutive trading days up to and including the Last Trading Day, which is generally in line with the average of the Share Comparables.

## LETTER FROM LEGO CORPORATE FINANCE

In view of (i) the Issue Price falls within the price range and the closing price of the Shares demonstrated a general sliding trend during the Review Period; and (ii) the Issue Price falls within the range of the Share Comparables, we concur with the Directors that the Issue Price is fair and reasonable so far as the Shareholders are concerned.

### 6. *Dilution effects of the issue of the Consideration Shares*

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Acquisition (including issuance of the Consideration Shares) but before SPA Completion and the Sell Down (set out for illustration only as the Acquisition shall take place contemporaneously with, among other things, the completion of the Sell Down and the transactions contemplated under the SPA); and (iii) immediately upon the SPA Completion, the Sell Down and the issuance of the Consideration Shares (assuming no other changes to the issued share capital of the Company since the Latest Practicable Date):

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Acquisition (including issuance of the Consideration Shares) but before SPA Completion and completion of the Sell Down (For illustration only)		(iii) Immediately upon SPA Completion, issuance of the Consideration Shares and completion of the Sell Down	
	<i>Approximate %</i>		<i>Approximate %</i>		<i>Approximate %</i>	
	<i>Number of Shares held</i>	<i>of Shares in issue</i>	<i>Number of Shares held</i>	<i>of Shares in issue</i>	<i>Number of Shares held</i>	<i>of Shares in issue</i>
The Sellers						
- Mr. Li	1,150,470,000	12.67	1,150,470,000	10.14	-	-
- Ms. Kwok	3,122,430,000	34.37	3,122,430,000	27.52	684,900,000	6.04
- Ever Prosper	2,052,000,000	22.59	2,052,000,000	18.08	-	-
	6,324,900,000	69.63	6,324,900,000	55.74	684,900,000	6.04
Mr. Li Wen	36,900,000	0.41	36,900,000	0.33	36,900,000	0.33
Mr. Wong Kin Wa	15,000,000	0.17	15,000,000	0.13	15,000,000	0.13
New Investors	-	-	-	-	1,030,000,000	9.08
The Offeror and parties acting in concert with it	900,000,000	9.91	3,163,012,321	27.88	7,773,012,321	68.50
Other Shareholders	1,806,660,000	19.88	1,806,660,000	15.92	1,806,660,000	15.92
<b>Total</b>	<b>9,083,460,000</b>	<b>100.0</b>	<b>11,346,472,321</b>	<b>100.0</b>	<b>11,346,472,321</b>	<b>100.0</b>



## LETTER FROM LEGO CORPORATE FINANCE

As at the Latest Practicable Date, the issued share capital of the Company comprised 9,083,460,000 Shares, whereas 1,806,660,000 Shares were held by the other Independent Shareholders. Upon the SPA Completion and the issuance of the Consideration Shares, which shall take place simultaneously, the shareholding of the other Independent Shareholders will be diluted from approximately 19.88% to approximately 15.92%.

Although there will be a dilution of shareholding to the Independent Shareholders, the Independent Shareholders should note that the Company will be benefited from the Acquisition after taken into account the reasons as stipulated in the paragraph headed "Reasons for and benefits of the Acquisition" above. Accordingly, we consider that the shareholding dilution effects for the issuance of the Consideration Shares is acceptable so far as the Independent Shareholders concerned.

### **E. Financial effects of the Disposal and the Acquisition**

As the SPA, the Acquisition Agreement and the Disposal Agreement are inter-conditional with each other, the SPA Completion and completion of the transactions contemplated under the Acquisition Agreement and the Disposal Agreement shall take place contemporaneously. Upon completion of the Disposal and the Acquisition, each of the Sunward Group and the MZone Group will cease to be subsidiaries of the Company while the Acquisition Group will become subsidiaries of the Company.

#### *1. Earnings*

It is expected that the disposal of the Disposal Groups will result in the estimated gain on disposal of approximately HK\$86.5 million based on (i) the initial consideration of the Disposal; (ii) the estimated transaction costs in relation to the Disposal; (iii) the unaudited net asset value of the Disposal Groups as at 31 December 2017; and (iv) relevant intangible assets and reserves related to the Disposal Groups recorded by the Group as at 31 December 2017. The actual amount of estimated gain of the Disposal would be calculated on the basis of the net asset value and any intra-group balance on the Disposal Completion Date and therefore the above-stated estimated gain may not be the same.

Given the loss making position of the Disposal Groups and that the Acquisition Group are profit making, it is expected that performance of the Group would improve upon completion of the Disposal and the Acquisition.

#### *2. Working capital*

According to the 2017 Annual Report, the Group had cash and cash equivalents of approximately HK\$383.9 million as at 31 December 2017. As the Disposal shall be satisfied by cash (subject to adjustment based on its net asset value) while the Acquisition Consideration shall be satisfied by issuance of Consideration Shares with no cash outflow, it is expected that the working capital of the Group would improve upon completion of the Disposal and the Acquisition.

3. *Net asset value*

According to the 2017 Annual Report, the audited consolidated net asset value of the Group was approximately HK\$673.5 million as at 31 December 2017. As the Disposal shall be satisfied by cash and adjusted based on its net asset value while the Acquisition Consideration shall be satisfied by issuance of Consideration Shares, it is expected that the net asset value of the Group would increase by the net asset value of the Acquisition Group and the goodwill and intangible assets arising from the Acquisition. Based on the above and that the Issue Price represents a premium of approximately 70.4% over the audited consolidated net asset value attributable to owners of the Company per Share as at 31 December 2017 as discussed in section 5.4 above, the net asset value per Share of the Group is expected to increase upon completion of the Disposal and the Acquisition.

**F. Management Agreements**

1. *Reasons for and background of the Management Agreements*

Goldstream Capital is a licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. It is principally engaged in the provision of advisory services on securities and the asset management business of portfolio management and maintenance. Goldstream Capital has entered into (i) the Fund I Management Agreement on 23 November 2015 with Fund I and the Fund Manager in relation to the appointment of Goldstream Capital as an investment manager to manage and invest the portfolio of Fund I; and (ii) the GSD Fund Management Agreement on 7 October 2016 with the GSD Fund and the Fund Manager in relation to the appointment of Goldstream Capital as an investment manager to manage and invest the portfolio of GSD Fund. The Fund Manager is a wholly-owned subsidiary of HCG and is principally engaged in investment management. Please see the paragraph headed "Information on the Purchaser and the Goldstream Sellers" above for details of HCG.

Upon the SPA Completion and the completion of the transactions contemplated under the Acquisition Agreement, Goldstream Capital and Goldstream Securities will become wholly-owned subsidiaries of the Company. As Goldstream Capital is the investment manager for Fund I and the GSD Fund, the transactions contemplated under the Management Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Management Agreements arising from the Acquisition are entered into in the ordinary and usual course of business of the Remaining Group on normal commercial terms upon completion of the Acquisition.

## LETTER FROM LEGO CORPORATE FINANCE

Goldstream Capital has been acting as the investment manager of Fund I and the GSD Fund since their inception and had generated income from the management fee and performance received from Fund I and the GSD Fund. The Management Agreements represented the continuation of the existing business of Goldstream Capital and it is expected that the Remaining Group would derive a stable source of income from the management fee and performance fee income from Fund I and the GSD Fund pursuant to the Management Agreements upon completion of the Acquisition. In view of the above, we are of the view that the Management Agreements are in the interests of the Company and the Independent Shareholders as a whole.

Nevertheless, the Offeror intends to continue to increase the revenue of the asset management business to be generated from independent third parties in future and considers that the reliance on connected persons for the asset management business will continue to be reduced going forward. The Offeror will procure the Company to monitor the actual transaction amounts with connected persons such that revenue generated from the asset management business with connected persons will not exceed 50% of the total revenue of the Group for the respective financial year as a whole up to 31 December 2020.

### 2. *Major terms of the Management Agreements*

#### Fund I

Pursuant to the Fund I Management Agreement, the Fund Manager has appointed Goldstream Capital as an investment manager to manage and invest the portfolio of Fund I in pursuit of certain investment objectives and subject to certain investment restrictions. Fund I is a fundamental long short equity only fund with market focused in the PRC. As at 31 May 2018, the net asset value of Fund I amounted to approximately US\$103.2 million. The principal terms of the Fund I Management Agreement are set out below:

<b>Date:</b>	23 November 2015, as amended and restated on 30 July 2018
<b>Parties:</b>	<ol style="list-style-type: none"><li>1. Fund I;</li><li>2. Goldstream Capital Management (Cayman) Limited, as the Fund Manager; and</li><li>3. Goldstream Capital, as the investment manager.</li></ol>
<b>Period:</b>	From 23 November 2015 to 31 December 2022.
<b>Duties of the investment manager:</b>	Goldstream Capital shall, subject to the overall control and supervision of the directors of Fund I and the Fund Manager, manage and invest the portfolio of the Fund I on a discretionary basis in pursuit of the investment objectives and subject to investment restrictions.

## LETTER FROM LEGO CORPORATE FINANCE

**Fees:** Pursuant to the Fund I Fee Letter, with effect from 1 January 2017:

- (1) Goldstream Capital, is remunerated equivalent to 95% of one twelfth (1/12th) of 2% per month of the net asset value of the Fund I's portfolio; and
- (2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Goldstream Capital, among factors including prevailing market practice, condition and extent of services rendered by Goldstream Capital, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

We were further advised by the Company that the performance incentive fee received by the Fund Manager is determined based on net asset value exceeding the high watermark.

### GSD Fund

Pursuant to the GSD Fund Management Agreement, the Fund Manager shall appoint Goldstream Capital as an investment manager to manage and invest the portfolio of the GSD Fund in pursuit of certain investment objectives and subject to certain investment restrictions. The GSD is a multi-strategy fund with equity, derivatives and fixed income bonds components, and a market focus on the Pan-Asia (excluding Japan) and the United States. As at 31 May 2018, the net asset value of the GSD Fund amounted to approximately US\$75.5 million. The principal terms of the GSD Fund Management Agreement are set out below:

**Date:** 7 October 2016, as amended and restated on 30 July 2018

**Parties:**

1. GSD Fund;
2. Goldstream Capital Management (Cayman) Limited, as the Fund Manager; and
3. Goldstream Capital, as the investment manager.

**Period:** From 7 October 2016 to 31 December 2022

**Duties of the investment manager:** Goldstream Capital shall, subject to the overall control and supervision of the directors of GSD Fund and the Fund Manager, manage and invest the portfolio of the GSD Fund on a discretionary basis in pursuit of the investment objectives and subject to investment restrictions.

## LETTER FROM LEGO CORPORATE FINANCE

**Fees:** Pursuant to the GSD Fund Fee Letter, with effect from 1 January 2017:

- (1) Goldstream Capital, is remunerated equivalent to 95% of one twelfth (1/12th) of 2% per month of the net asset value of the GSD Fund's portfolio; and
- (2) yearly incentive fee is remunerated at an arm's length principle and determined annually between the Fund Manager and Goldstream Capital, among factors including prevailing market practice, condition and extent of services rendered by Goldstream Capital, which may vary from time to time. The final amount will be between 50% and 100% of the performance incentive fee received by the Fund Manager.

We were further advised by the Company that the performance incentive fee received by the Fund Manager is determined based on net asset value exceeding the high watermark.

According to the Letter from the Board, the Management Agreements, including the management fee and the yearly incentive fee, were determined after arm's length negotiations between the parties with reference to market rates and the obligations and duties of Goldstream Capital under the Management Agreements.

## LETTER FROM LEGO CORPORATE FINANCE

In assessing the fairness and reasonableness of the level of fees under the Management Agreements, we have conducted a research of the remuneration packages adopted by investment companies that are listed on the Stock Exchange under Chapter 21 of the Listing Rules (the “**Ch. 21 Comparables**”). Based on our best endeavour and as far as we are aware, we have identified a list of 16 Ch. 21 Comparables that announced the detailed terms of their investment management agreement in their announcements:

Company (stock code)	Management fee	Performance/Incentive fee
China Merchants China Direct Investments Limited (133)	<p>(A) On the invested portion of the assets of the company represented by unlisted securities or interests: 2.25% of the book value (net of taxes);</p> <p>(B) on the invested portion of the assets of the company represented by securities listed on a recognized stock exchange:</p> <p style="margin-left: 20px;">(i) during the lockup period following listing: 2.25% of the book value (net of taxes);</p> <p style="margin-left: 20px;">(ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</p> <p style="margin-left: 20px;">(iii) thereafter: 1.50% of the book value (net of taxes); and</p> <p style="margin-left: 20px;">(iv) in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and</p> <p>(C) on the un-invested portion of the assets of the company: 0.75% of the book value, in each case as at the last day of the relevant quarter</p>	<p>Conditional upon the net asset value as at the end of each financial year exceeding the higher of:</p> <p style="margin-left: 20px;">(a) the net asset value for the reference year; and</p> <p style="margin-left: 20px;">(b) the net asset value of the most recent financial year after the reference year and in which a performance fee was paid,</p> <p>the company will pay an annual performance fee equal to 8% of the amount by which the net asset value of the company as at the end of the relevant financial year exceeding the high watermark</p>

## LETTER FROM LEGO CORPORATE FINANCE

Company (stock code)	Management fee	Performance/Incentive fee
DT Capital Limited (356)	1.5% of the gross net asset value per annum, calculated as the arithmetical average of the published unaudited consolidated net asset value on the last day of each calendar month during each relevant year	15% on the amount of audited consolidated net asset value of the company exceeding the high watermark as at the relevant financial year, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the gross net asset value
Huge China Holdings Limited (428)	1% per annum on the net asset value as per the management account of the company in the preceding month	Nil
UBA Investments Limited (768)	1.5% per annum of the net asset value of the company as at the immediately preceding valuation date	20% of net profit of the company before taxation and before deduction of the management fee payable
Shanghai International Shanghai Growth Investment Limited (770)	0.5% per quarter of the net asset value of the company as at each quarter date (equivalent to 2% per annum)	20% of the amount by which the net asset value as at 31 December in the year for which the incentive fee is being calculated exceeds the high watermark
Eagle Ride Investment Holdings Limited (901)	HK\$185,000 per month	20% per annum of any net appreciation in the net asset value at the relevant performance fee valuation date above the high watermark
OP Financial Limited (1140)	HK\$1,150,000 per month	Nil
SHK Hong Kong Industries Limited (666)	0.375% of the gross net asset value for each quarter (equivalent to 1.5% per annum), calculated as the arithmetical average of the published gross net asset value on the last day of each calendar month	20% of the amount by which the audited net asset value of each year ended 31 December exceeds the high watermark
China Investment Fund International Holdings Limited (612)	HK\$220,000 per month	Nil

<b>LETTER FROM LEGO CORPORATE FINANCE</b>		
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Company (stock code)	Management fee	Performance/Incentive fee
China New Economy Fund Limited (80)	HK\$960,000 per annum	Nil
Earnest Investments Holdings Limited (339)	HK\$60,000 per month	Nil
China Innovation Investment Limited (1217)	HK\$40,000 per month	HK\$480,000 per annum when the audited profit before tax of the company reaches HK\$480,000
China Financial International Investments Limited (721)	0.75% per annum of the aggregate market value of the portfolio on the last business of each calendar month (payable monthly)	Nil
Grand Investment International Ltd. (1160)	HK\$800,000 per annum	Nil
Prosperity Investment Holdings Limited (310)	HK\$600,000 per month	If any and at such amount as the board may at its discretion determine, provided that no such bonus shall be payable unless the adjusted net asset value as at the end of each financial year exceeds the higher of: (i) the net asset value for the year ending 31 December 2015; and (ii) the adjusted net asset value of the most recent financial year after year 2015, representing the high watermark, for which the investment manager is paid a discretionary bonus. The amount of such bonus shall not in any event exceed 5% of such excess
China Development Bank International Investment Limited (1062)	HK\$350,000 per annum	Nil



## LETTER FROM LEGO CORPORATE FINANCE

In respect of the 16 Ch. 21 Comparable listed above, we noted that there are (i) 6 Ch. 21 Comparables that only have a fixed management fee with no performance or incentive fee; (ii) 3 Ch. 21 Comparables that have a fixed management fee with performance fee subject to the performance or high watermark mechanism; (iii) 2 Ch. 21 Comparables that have a management fee charged at a certain percentage of the net asset value with no performance or incentive fee; and (iv) 5 Ch. 21 Comparables that have a management fee charged at a certain percentage of the net asset value with performance fee subject to the performance or high watermark mechanism. Based on the Ch. 21 Comparables above, it is noted that the fee structure of Fund I and GSD Fund, being a management fee charged at a percentage of the net asset value with performance fee subject to the performance, is not uncommon in the market. It is further noted that the percentage on net asset value under the management fee charged by the Ch. 21 Comparables ranged from 0.75% to 2.25% per annum. Accordingly, the percentage on net asset value under management fee charged by Fund I and GSD Fund falls within the range of the Ch. 21 Comparables.

We have also obtained and reviewed investment management contracts entered into between Goldstream Capital and independent third parties and we noted that the management fee and performance fee charged to Fund I and GSD Fund were no less favourable than the management fee and performance fee charged to independent third parties. Given the above, we are of the opinion that the terms of the Management Agreements are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### 3. *Annual Caps*

The aggregate amount received by Goldstream Capital under the Management Agreements was approximately HK\$96,000, HK\$6,960,000, HK\$32,180,000 for each of the three financial years ended 31 December 2017, respectively.

According to the Letter from the Board, the Management Service Annual Caps for the amount of fees receivable by Goldstream Capital under the Management Agreements will be HK\$42,000,000, HK\$74,000,000, HK\$82,000,000, HK\$102,000,000 and HK\$114,000,000 for each of the five financial years ending 31 December 2022, respectively.

The Management Service Annual Caps have been calculated and determined after taking into account the following:

- (a) the historic rate of growth in the fees received under the Management Agreements; and
- (b) the projected growth in the AUMs subject to the services to be provided under the Management Agreements.

## LETTER FROM LEGO CORPORATE FINANCE

In assessing the fairness and reasonableness of the Management Service Annual Caps under the Management Agreements, we have discussed with the management of the Group on the bases and assumptions adopted in determining the Management Service Annual Caps. We have obtained and reviewed (i) the historical growth and performance of each of the fund managed by Goldstream Capital; and (ii) the five year projection on the expected growth on the AUM of Fund I and GSD Fund in respect of its internal growth and future capital contribution, which shall in aggregate reached approximately US\$209 million, US\$314 million, US\$443 million, US\$497 million and US\$562 million for the five years ending 31 December 2022. We understand that the expected management fee and performance fee were then derived with reference to the AUM and the growth in fund. Based on the documents reviewed, it was noted that two funds had attracted investment in the amount of approximately US\$170.5 million since inception up to 31 May 2018, among which approximately US\$108.5 million were subscribed in 2017, and further attracted investment in the amount of approximately US\$11.5 million during the five months ended 31 May 2018. As represented by the Company, such substantial increase in investment amount in 2017 was primarily due to Goldstream Capital was at initial stage and yet to fully operate before 2017. As the fund management and operation team as well as the research team were fully set up in 2017, Goldstream Capital started managing more investment strategies and in higher capacities, and accordingly resulted in the substantial increase in investment amount. Given the success in attracting investments in 2017 under the current marketing strategies, the Company expects that the investment amount could continue to increase and contribute to the forecasted AUM in the coming five years. On the other hand, it is expected that the portfolio will grow at a rate of 4% for 2018 and 8% for each year from 2019 to 2022 based on the projection. As advised by the Company, such growth rate was determined with reference to the historical growth rate with a prudent approach as well as the overall growth rate of the major index in the market. In this regard, we noted that Fund I and GSD Fund managed by Goldstream Capital achieved an aggregate annualised net return (after management and performance fees) of approximately 8.9% since inception in December 2015 and August 2017 respectively up to December 2017 while the Hang Seng Index increased from approximately 23,684 index point to approximately 29,919 index point as at 31 December 2017, representing a compound annual growth rate of approximately 8% from 2015 to 2017. We have also obtained and reviewed the biographies of the fund management and operation team of Goldstream Capital and noted that the relevant personnel possess relevant experiences and track record in fund management under various well known international fund managers, with records of generating positive returns better than the market. Given the above, we concur with the Directors that the Management Service Annual Caps for the management fee and performance fee are reasonable.

## LETTER FROM LEGO CORPORATE FINANCE

### 4. *Duration of the Management Agreements*

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances. As the term of the Management Agreements exceeds three years, we were appointed to explain why the Management Agreements require a term that is longer than three years and whether it is normal business practice for management agreements relating to fund management to be of such duration.

In assessing the reasons why the duration of the Management Agreements should be longer than three years, we had considered the following factors based on its understanding from the Company:

- (a) the nature of the fund requires that the duration of the Management Agreements exceeds three years. Under the Management Agreements, Goldstream Capital will act as investment manager in respect of the investment and management of the investment portfolio for a term of five years. As Fund I and GSD fund were newly setup in December 2015 and July 2017 respectively, to ensure the initial continuity of ongoing management to be performed by Goldstream Capital, it is desirable to have a sufficiently long term contract;
- (b) the passing of the resolution for the Management Agreements is a condition precedent to the SPA Completion which may not be waived, and the completion of the SPA, the Disposal and the Acquisition are inter-conditional to each other. It is necessary for the Management Agreements to facilitate the Acquisition, the Disposal and the Offer; and
- (c) the longer duration is necessary to provide long term stability for the Group to enjoy the management fee and performance fee income following completion of the Acquisition.

In considering whether it is normal business practice for contracts of a similar nature to the Management Agreements to have a term of such duration, we had:

- (a) referred to the duration of the existing similar management agreements entered into between Goldstream Capital and independent funds (the “**Contract Comparables**”), and noted that the term of certain of the Contract Comparables were without a definite term or until the fund is liquidated or the contracts are otherwise terminated. As advised by the Company, such arrangement were to ensure the continuity of management services provided by Goldstream Capital;

## LETTER FROM LEGO CORPORATE FINANCE

- (b) identified from the annual report of well known international fund manager in relation to the provision of fund management services, and noted that the terms of the funds managed by the fund manager are in general approximately 7 to 15 years; and
- (c) reviewed a number of transactions relating to the investment in fund by companies listed on the Stock Exchange from 1 May 2018 up to the Last Trading Day. To the best of our knowledge and as far as we are aware, we have identified 14 announcements with duration of the fund disclosed (the “**Fund Comparables**”), which represents an exhaustive list, and noted that the duration of the Fund Comparables ranges from 3 years to 15 years or without a definite term, and accordingly the duration of the Management Agreements falls within the said range.

Based on the above considerations, we are of the opinion that (a) a term of longer than three years is required for the Management Agreements; and (b) it is normal business practice for contracts of this type to be of such duration.

### RECOMMENDATIONS

Having considered the principal factors and reasons for the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the Management Agreements, the Management Service Annual Caps and the transactions contemplated thereunder as described above, we are of the opinion that the Distribution in Specie, the Disposal (which comprises the Special Deal), the Acquisition, the Management Agreements, the Management Service Annual Caps and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Distribution in Specie, the Disposal (which comprises the Special Deal), the Management Agreements, the Management Service Annual Caps and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

*Mr. Stanley Ng is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 13 years of experience in the investment banking and auditing.*

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

*The following is the text of a report received from RHL Appraisal Limited, an independent valuer, in connection with its valuation of Goldstream Capital as at 31 May 2018 for the purpose of inclusion in this circular.*



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
Corporate Valuation & Advisory

T +852 2730 6212  
F +852 2736 9284

Room 1010, 10/F, Star House,  
Tsimshatsui, Hong Kong

31 August 2018

**The Board of Directors  
International Elite Ltd.**

Room 3809-3810, Hong Kong Plaza,  
188 Connaught Road West,  
Hong Kong

Dear Sirs/Madams,

**RE: VALUATION OF EQUITY INTEREST OF GOLDSTREAM CAPITAL MANAGEMENT LIMITED AS AT 31 MAY 2018**

In accordance with the instructions of International Elite Ltd. (the “**Client**”), we have undertaken a valuation to determine the valuation of 100% equity interest (the “**Interest**”) of Goldstream Capital Management Limited (the “**Company**”) as at 31 May 2018 (the “**Valuation Date**”) regarding the proposed acquisition of the Interest of the Company.

### **Introduction**

This report has been prepared in accordance with instructions from the Client to determine the valuation of the Interest as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

#### *Background of the Company*

Goldstream Capital Management Limited was incorporated in Hong Kong on 11 October 2011. The Company was licensed by the Securities and Futures Commission to provide Type 4 and Type 9 regulated activities in “Advising on Securities” and “Asset Management” in March 2012. It is engaged in the business of advising on securities and asset management mainly in Hong Kong and China.

### **Purpose of Valuation**

The purpose of this valuation is to express an independent opinion on the market value of the Interest as at the Valuation Date solely for the use of the management of the Client regarding the proposed acquisition of 100% of equity interest of the Company and we acknowledge that the report will be made available to the Client for public documentation purpose only.

### **Basis of Valuation**

Our valuation was carried out on a market value basis. Market value is defined as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”*, according to the International Valuation Standards.

### **Basis of Opinion**

The valuation procedure includes review of the financial and economic condition of the subject business, an assessment of key assumptions, estimates, and representations made by the management of the Company (the **“Management”**). All matters essential to the proper understanding of the valuation are disclosed in the valuation report.

The following factors also form a considerable part of our basis of opinion:

- The business nature of the Company;
- Consideration and analysis on the micro-economic and macro-economic factors;
- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Assessment on the leverage and liquidity of the subject business.

In arriving at our opinion, we have assumed and relied extensively upon the accuracy and completeness of the information provided to us by the Management such as financial statements, documents, oral conversation through correspondences.

We also conducted research using various sources including governmental statistical releases and other publications to verify the information provided and we have no reason to doubt the accuracy of the data and information.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are highly uncertain and beyond our control or the control of any party involved in this valuation exercise.

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject business. We believe that our valuation provides a reasonable basis for our opinion.

### Industry Overview

#### *Hong Kong Economic Overview*

The economy of Hong Kong maintained a healthy growth in recent years. According to the figures from the Census and Statistics Department, the Gross Domestic Product (in real terms) (the “GDP”) has increased from about HK\$2,317 billion in 2013 to HK\$2,585 billion in 2017, representing a Cumulated Average Growth Rate (the “CAGR”) of about 2.77%. It is further forecasted by the Office of the Government Economist of Hong Kong that the GDP will further grow by 3% to 4% in real terms in 2018<sup>1</sup>.

#### *Industry review*

The stock market of Hong Kong has been boosted up in the last few years, with the support from the launch of Shanghai-Hong Kong Connect, the continuous growth of the global economy and easing of monetary policy of various countries. According to the statistics from the Hong Kong Stock Exchange (the “HKEX”)<sup>2</sup>, the total trading value has increased from HK\$15,186 billion in 2013 to HK\$21,560 billion in 2017, and the CAGR is 9.16%. The market capitalization has also grown significantly from HK\$23,909 billion in 2013 to HK\$33,718 billion in 2017, and further grew to HK\$34,139 billion in Q1 2018. The detail is listed in the table 1 below:

**Table 1 Trading Value and market capitalization – 2013-Q1 2018**

Year	Trading Value (HK\$' B)	Market Capitalization (HK\$' B)
2013	15,186	23,909
2014	16,990	24,892
2015	25,836	24,426
2016	16,280	24,450
2017	21,560	33,718
2018 Q1	8,869	34,139

<sup>1</sup> Census and Statistics Department: Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP.

<sup>2</sup> Data extracted from HKEX, Daily Trading Value, Volume and Number of Deals – 2013-2017.

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

With the increase in people’s wealth, the attractive capital market with well-developed infrastructure of Hong Kong, asset and wealth management business in Hong Kong has grown significantly in recent years. According to the data from the Securities and Futures Commission (the “SFC”), there were 889 and 950 institutions registered for carrying out advising on securities (“Type 4”) and asset management (“Type 9”) regulated activities respectively in 2013, and such number of corporations has increased to 1,291 and 1,477 respectively in 2017<sup>3</sup>, which is listed in Table 2 below:

**Table 2 Number of Regulated Activities of Licensed Corporations (LC)**

As at end	RA4	RA9
2013	889	950
2014	928	1,031
2015	987	1,135
2016	1,131	1,300
2017	1,291	1,477

More people are participated in these business. There are 9,309 and 4,853 Licensed Representative (the “LR”) registered for carrying out Type 4 and Type 9 regulated activities respectively in 2013, and has increased to 11,834 and 6,954 respectively in 2017, representing a CAGR of 6.2% and 9.4% respectively. On the other hand, the total number of the LR for all regulated activities only grew at a CAGR of 3.1% in the same period, from 53,952 in 2013 to 61,061 in 2017<sup>4</sup>. The increase in the numbers of LR for Type 4 and Type 9 regulated activities were much higher in the period.

**Table 3 Number of Regulated Activities of Licensed Representatives (LR)**

As at end	RA4	RA9	Total number of LR for all regulated activities
2013	9,309	4,853	53,952
2014	9,603	5,228	54,787
2015	10,462	5,821	57,837
2016	11,018	6,366	58,885
2017	11,834	6,954	61,061

<sup>3</sup> Data extracted from Table C2 – Number of regulated activities of Licensed Corporations, published by SFC

<sup>4</sup> Data extracted from Table C4 – Number of regulated activities of Licenses Representatives, published by SFC



There are variety types of unit trusts and mutual funds in the market, e.g. bond funds, equity funds, diversified funds, money market funds, guaranteed funds, hedge funds, etc., to meet with the purposes of different investors. According to the statistics from the SFC, total number of authorized funds has increased from 1,964 as at the end of March 2013 to 2,215 as at the end of March 2018<sup>5</sup>. In terms of net asset value of authorized unit trusts and mutual funds, the total net asset value under management has increased from US\$1,289.7 billion as at the end of 2013 to US\$1,661.3 billion as at the end of 2017<sup>6</sup>, with a CAGR of 6.5%.

### **Sources of Information**

In conducting the valuation, we have considered, reviewed and relied upon the following key information provided by the Management and other pertinent data concerning the Company which includes but not limited to the following:

- Copy of the Investment Management Agreement entered into among Goldstream Capital Master Fund I, Goldstream Capital Management (Cayman) Limited and the Company dated 23 November 2015;
- Copy of the Investment Management Agreement entered into among Goldstream Strategic Development Fund, Goldstream Capital Management (Cayman) Limited and the Company dated 7 October 2016;
- Copy of 中誠信托•金涌資本港股通1號證券投資集合資金信托計劃投資顧問協議 entered into between China Credit Trust Co. Ltd. (中誠信托有限責任公司) and the Company dated 10 March 2017;
- Copy of 華潤信托•金涌鑫悅香江一期單一資金信托投資顧問合同 entered into between China Resources Trust Co. Ltd. (華潤深國投信托有限公司) and the Company dated 12 May 2017;
- Copy of 興業信托•興易金涌1號集合資金信托計劃投資顧問合同 entered into between China Industrial International Trust Limited (興業國際信托有限公司) and the Company dated 1 March 2018;
- Copy of the license issued to the Company by Securities and Futures Commission (Central entity no. AYU472) on 2 March 2012 provided by the Management;
- Copies of the Certificate of Incorporation, the Articles of Association, the Business Registration Certificate of the Company provided by the Management;
- Copies of audited report of the Company for the financial year ended December 2015, the financial year ended December 2016 and the financial year ended December 2017 provided by the Management;
- Unaudited financial statements of the Company for period ended 31 May 2018 provided by the Management;

<sup>5</sup> Data extracted from Table D2 – Number of authorized unit trusts and mutual funds, published by SFC

<sup>6</sup> Data extracted from Table D3 – Net asset value of authorized unit trusts and mutual funds by Type, published by SFC

- Asset under management (“AUM”) of the Company as at 31 May 2018, which is HKD1,827,450,492, provided by the Management;
- Background information of the Company provided by the Management;
- Discussions with and representations made by the Management.

### **Approach and Methodology**

The market value of the Interest is conducted by one or more of the three generally accepted valuation approaches: asset approach, market approach and income approach.

#### *Asset Approach*

A means of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

#### *Market Approach*

Market Approach considers prices recently paid for similar related to the subject company’s major business industry, with adjustments made to the indicated market prices to reflect condition and utility of the appraised business relative to the market comparatives.

In general there are two methods under the market approach, namely the guideline merged and acquired company methods and the guideline publicly traded company method. Guideline merged and acquired company method is based on acquisitions and sales of entire companies, divisions or certain equity interests of either publicly traded or private companies. Guideline publicly traded company method is based on the adoption of multiples that are drawn from companies traded in major stock exchanges to the fundamental data of the subject company. Depending on the nature of the underlying business and other company specific conditions, various multiples may be used to evaluate the business ownership interests.

#### *Income Approach*

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

### *Determination of the Valuation Approach*

Among the three approaches, we consider that Market Approach is more appropriate for valuing the Company.

Asset Approach might not be able to capture the future economic benefits contributed by the subject assets and from the business operation easily. Income approach focuses on the economic benefits generated by the income producing capability of an enterprise. However, since a reliable financial projection of the Company is not available, we are not able to conduct the valuation using Income Approach. In this regard, we rely on Market Approach in arriving at the market value of the equity interest of the Company.

Under Market Approach, the guideline public companies method is adopted to arrive the market value of the Company. This method considers prices recently paid for similar assets relating to the subject company's major business industry, with adjustments made to the indicated market prices to reflect condition and utility of the appraised business relative to the market comparables, if appropriate and necessary.

In the construction of market comparables, we have principally based on the following selection criteria:

- Companies listed in the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and New York Stock Exchange with active trading in a reasonable period of time;
- Companies principally engaged in asset management and advice of securities in operation in Hong Kong and China;
- The business of asset management contributes a major source to the total revenues to the overall business and this business operation will continue in the coming future;
- Sufficient financial information are available from the Thomson Reuters Terminal or other publicly available sources.

Based on the above selection criteria, four public comparable companies have been selected, which is stated as follows:

<b>Stock Ticker</b>	<b>Name of the Comparable Company</b>
0806.HK	Value Partners Group Ltd
0851.HK	Sheng Yuan Holdings Ltd
600053.SS	Kunwu Jiuding Investment Holdings Co Ltd
NOAH.K	Noah Holdings Ltd

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

To the best of our knowledge, information and belief, and on a best effort basis, the above list of comparable listed companies is fair, representative and exhaustive.

Depending on the nature of the underlying business and other company specific conditions, various multiples may be used to analyze the business ownership interests. For companies engaged in the business as that of the valuation subject, the major drivers of their value are derived almost from revenue generating source, which is represented by the amount of AUM, valuation multiples with reference to net book value of these companies may not provide a good indication to the values of these companies, price-to-book ratio and EV-to-book ratio are thus not considered in this valuation. As sales, EBIT and earning are figures relating to the performance of the business, these figures are subject to the volatile return cycle of investment stock market. Valuation multiples based on these figures may not provide an appropriate comparison basis, and are not considered in this valuation. Price-to-AUM is less volatile of managed investments. Thus price-to-AUM multiple is adopted for this valuation.

After collecting the valuation multiples from the selected comparables, the multiples are reviewed and calculated from market capitalization of each comparables with their latest filed AUM as at the Valuation Date. An average value of each valuation multiple is then adopted in this valuation.

In this valuation, the following multiple have been adopted:

<b>Stock Ticker of comparable company</b>	<b>Price-to-AUM multiple</b>
0806.HK	9.13%
0851.HK	8.91%
600053.SS	25.24%
NOAH.K	13.77%
Average	14.26%

### *Discount for Lack of Marketability*

Discount for lack of marketability is normally applied to valuation of non-publicly traded company. Marketability discount reflects the ability of converting shares into immediate cash. Compared to publicly listed companies, private companies do not have a known market price and there exist no public market for trading of shares. Therefore, a privately held company is theoretically worth less than a public company with the same business, given other things being the same.

Taking account of the above, and with reference to the estimation from the result of put option under the Black Scholes Option Pricing Model, a discount for lack of marketability of 20% was applied in the valuation of the Interest.

### *Control Premiums*

Control premiums arises from the concepts of legal power, rights and economic benefits. In general, control premiums represent an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise that reflects the power of control.

## APPENDIX I VALUATION REPORT ON GOLDSTREAM CAPITAL

It is generally accepted in the valuation community that the guideline publicly traded company method under the market approach represents minority interest transactions. In this valuation, the purpose of the valuation was to determine the value of 100% equity interest in the Company as at the Valuation Date, therefore control premium has been applied.

For the estimation of the control premium, we have made reference to the research result as published in the FactSet MergerStat Control Premium Study for the first quarter of 2018 (the “Study”). The sources of the information of the Study were from regulatory filings and public announcements for mergers and acquisitions in all markets. The Study included transactions in the first quarter of 2018, where the acquired target was a publicly traded company. The average control premium from those transactions was approximately 30% from the Study. It is adopted in this valuation of the Interest of the Company.

### Calculation

Based on the parameters described above, the calculation of the value is presented below:

Applied parameter	Value
(1) AUM as at the Valuation Date (in HKD)	1,827,450,492
(2) Price-to-AUM multiple	14.26%
(3) Implied 100% equity value before marketability discount and control premium (in HKD)	= (1) x (2) 260,658,914
(4) Less: Marketability discount (in HKD)	= (3) x 20% 52,131,783
(5) Implied equity value after marketability discount and before control premium (in HKD)	= (3) – (4) 208,527,131
(6) Add: Control premium (in HKD)	= (5) x 30% 62,558,139
(7) Implied equity value after marketability discount and control premium (in HKD)	= (5) + (6) 271,085,271

### Assumptions and Notes to Valuation

Assumptions considered having significant sensitivity effects in this valuation have been evaluated in arriving at our assessed values.

#### *General Assumptions*

1. We assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business.
2. In arriving at our opinion, we have assumed and relied extensively upon the accuracy and completeness of the information provided to us by the Management such as financial statements, documents, oral conversation through correspondences and interviews. We do not independently investigate nor otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness.

3. The financial information of the Company was prepared in accordance to the applicable accounting standard. We did not independently investigate nor otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness.
4. We are given the amount of the AUM as at the Valuation Date. We are confirmed by the Management that the AUM can be used as a proxy for the financial figure of the Company.
5. There will be no material changes in inflation and interest rates from those prevailing as at the Valuation Date.
6. The availability of finance will not materially constrain the forecasted growth of the Company.
7. The Company will be able to procure and retain competent key personnel and operating staffs.

### **Valuation Comments**

As part of our analysis, we have reviewed information, documentation and other pertinent data concerning the Company as has been made available to us. Such information has been provided by the Management. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The assumptions made in our valuation are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Management, the Company and RHL Appraisal Limited.

### **Risk Factors**

The following factors may affect the result of this valuation.

#### *Economic and Political Risks*

Political and economic policies of local government may affect the Company's operational results and may result in their inability to sustain their business growth.

Uncertainties with respect to the legal and tax system could materially and adversely affect the operational performance of the Company.

#### *Industry Competition*

There are/may be a number of competitors in the market providing similar products or services. Any future outbreak or occurrence of unpredictable events may change the demand or operating costs which may adversely affect the Company's operational results.

*Risks relating to the operation*

The business relies on the ability to retain competent key personnel and operating staffs. If the Company is not able to retain or recruit competent staffs for its operation, the revenue may decline and the Company may not be able to maintain the profitability. In addition, if the Company is not able to fulfill the requirements for the grant of licenses from the SFC, the business would be materially and adversely affected.

*Future Performance and Profitability*

If the Company is not able to continue to maintain existing customers and/or attract new customers to its business at commercially viable fee levels, the revenue may decline and the Company may not be able to maintain the profitability.

Uncertainty and adverse changes in the economy could have a material adverse impact on the business and operating results.

*Information bias*

Research and information from the Company or research database are subject to bias or may not meet with the actual results.

**Opinion of Value**

Based on the results of our investigations and analysis outlined in this report, we are of the opinion that the market value of the Interest as at the Valuation Date, free from any encumbrances, is reasonably and approximately stated as **HONG KONG DOLLAR TWO HUNDRED SEVENTY ONE MILLION EIGHTY FIVE THOUSAND ONLY (HK\$271,085,000)**.

This report is issued subject to our limiting conditions in the appendix I.

Yours faithfully,  
For and on behalf of  
**RHL Appraisal Limited**  
**Kenneth H. W. Lam**  
ACCA, FRM  
Associate Director

*Mr. Kenneth Lam is a Chartered Accountant and Financial Risk Manager with 6 years of experience in valuations for private and listed companies in the Asia-Pacific and America region.*

Analysis and report by:

**Raymond K. L. Chong, CFA**

Joanne W.Y. Ng, CPA

Jeffrey K.H. Wong, MSc

**Appendix I – Limiting Conditions**

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.
3. RHL Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.
4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.
5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
6. We assume that there are no hidden or unexpected conditions associated with the business valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.
8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.



**APPENDIX II      REPORT FROM THE INDEPENDENT FINANCIAL  
ADVISER ON THE VALUER**

*The following is the text of a report from Lego Corporate Finance on the valuation report issued by RHL Appraisal Limited prepared for the sole purpose of inclusion in this circular.*



The Board of Directors  
International Elite Ltd.  
Room 3809-3810  
Hong Kong Plaza  
188 Connaught Road West  
Hong Kong

31 August 2018

Dear Sirs,

Reference is made to a valuation report (the “**Report**”) issued by RHL Appraisal Limited (the “**Valuer**”) as contained in Appendix I to the circular issued by International Elite Ltd. (the “**Company**”) dated 31 August 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

This letter constitutes our report on qualification and experience of the Valuer to prepare the Report as required under Rule 11.1(b) of the Takeovers Code.

We have conducted reasonable checks to assess the relevant qualification, experience and expertise of the Valuer, including reviewing the supporting documents on the qualification of the Valuer and discussing with the Valuer on their qualifications and experience, and the bases and assumptions adopted by the Valuer in preparing the Report.

We have assumed that all information and representations that have been provided by the Directors to us, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention in respect of qualification and experience of the Valuer made by the Directors to us were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts in respect of the qualification and experience of the Valuer, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

<b>APPENDIX II      REPORT FROM THE INDEPENDENT FINANCIAL ADVISER ON THE VALUER</b>
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On the basis of the foregoing, we are of the opinion that the Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Report, the personnel engaged in the Report meet the regulatory requirements which apply in the circumstances in which the Report is required; and the bases and assumptions have been made by the Valuer with due care and objectivity, and on a reasonable basis.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

**Unaudited financial information of Disposal Group I and Disposal Group II**

Set out below are (i) unaudited revenue of Sunward Telecom Limited and its subsidiaries (“**Disposal Group I**”), Mzone Network Limited and its subsidiaries (“**Disposal Group II**”), (collectively the “**Disposal Groups**”) for the years ended 31 December 2016 and 2017; (ii) the unaudited net loss before and after tax of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017; (iii) the aggregated unaudited consolidated net asset value of Disposal Group I and Disposal Group II as at 31 December 2017 (as adjusted by the elimination of inter-company balances) and (iv) the estimated gain on the disposal of the Disposal Groups (the “**Disposal**”) (collectively referred to the “**Unaudited Financial Information**”) which are extracted from page 24 of this Circular.

**Basis**

The Directors have prepared the Unaudited Financial Information of Disposal Group I and Disposal Group II based on the unaudited management accounts of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017.

The Unaudited Financial Information has been prepared on a basis consistent in all material aspects with the accounting policies adopted by International Elite Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017 and set out as below.

- (i) *The unaudited revenue of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017*

	<b>Year ended 31 December 2016</b>	
	<b>Disposal Group I</b>	<b>Disposal Group II</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6,103	–
	<b>Year ended 31 December 2017</b>	
	<b>Disposal Group I</b>	<b>Disposal Group II</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	12,348	–

- (ii) *Unaudited loss before and after tax of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017*

	Year ended 31 December 2016	
	Disposal Group I HK\$'000	Disposal Group II HK\$'000
Loss before tax	(20,073)	(31)
Loss after tax	(19,479)	(31)

	Year ended 31 December 2017	
	Disposal Group I HK\$'000	Disposal Group II HK\$'000
Loss before tax	(24,830)	(369)
Loss after tax	(22,155)	(369)

- (iii) *The unaudited consolidated net asset value/(liabilities) and aggregated unaudited consolidated net asset value of Disposal Group I and Disposal Group II as at 31 December 2017*

	As at 31 December 2017 HK\$'000
Consolidated net asset value of Disposal Group I	130,735
Less: Amount due from Disposal Group II	(35,542)
Consolidated net liabilities of Disposal Group II	(7,479)
Add: Amount due to Disposal Group I	35,542
Aggregated unaudited consolidated net asset value of Disposal Group I and Disposal Group II as adjusted by the elimination of inter-company balances	123,256

- (iv) *Estimated gain on the Disposal*

Estimated gain on the Disposal is approximately HK\$86.5 million with reference to the initial consideration of the Disposal, the estimated transaction costs in relation to the Disposal, the unaudited net asset value of the Disposal Groups as at 31 December 2017, relevant intangible assets and reserves related to the Disposal Groups recorded by the Group as at 31 December 2017.

The Unaudited Financial Information is published during the offer period commencing from 30 July 2018 in connection with the possible unconditional mandatory cash general offer by Hony Gold Holdings, L.P., to acquire 3,573,460,000 shares of the issued share capital of the Company from the shareholders of the Company under the Rule 10 of the Code on Takeovers and Mergers. Accordingly, it is regarded as profit estimates and the Company's auditor and the Company's independent financial adviser are required to report on the Unaudited Financial Information under Rule 10 of the Code on Takeovers and Mergers.

**A. REPORT FROM PRICEWATERHOUSECOOPERS**

The following is the text of a report received from auditor of the Company, PricewaterhouseCoopers, addressed to the Directors and for the sole purpose of inclusion in this circular.



羅兵咸永道

**INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE ACCOUNTING  
POLICIES AND CALCULATIONS OF THE UNAUDITED FINANCIAL INFORMATION****TO THE BOARD OF DIRECTORS OF INTERNATIONAL ELITE LTD.**

We have completed our assurance engagement to report on the principal accounting policies adopted and the calculations used in the preparation of (i) the unaudited revenue of Sunward Telecom Limited and its subsidiaries (the “**Disposal Group I**”) and Mzone Network Limited and its subsidiaries (the “**Disposal Group II**”) for the years ended 31 December 2016 and 2017; (ii) the unaudited net loss before and after tax of the Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017; (iii) the unaudited consolidated net asset value/liabilities and aggregated unaudited consolidated net asset value of the Disposal Group I and Disposal Group II as at 31 December 2017; and (iv) the estimated gain on the disposal (collectively the “**Unaudited Financial Information**”) which are extracted from page 24 of the Circular of International Elite Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”). The Unaudited Financial Information is published during the Offer Period commencing from 30 July 2018 in connection with the possible unconditional mandatory cash general offer by Hony Gold Holdings, L.P., to acquire 3,573,460,000 shares of the issued share capital of the Company. We understand it is required to be reported on under Rule 10 of the Code on Takeovers and Mergers.

**Directors' Responsibilities**

The directors of the Company are solely responsible for preparing the Unaudited Financial Information on a basis consistent with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information that is free from material misstatement.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditor's Responsibilities**

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017 based on our reasonable assurance engagement, and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("ISAE 3000 (Revised)") issued by the International Auditing and Assurance Standards Board ("IAASB").

Our work consisted primarily of procedures such as (a) obtaining an understanding of the principal accounting policies adopted in the preparation of the Unaudited Financial Information through inquires primarily of persons responsible for financial and accounting matters, (b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information, (c) comparing the principal accounting policies as set out in the Unaudited Financial Information with those set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017, (d) checking solely the arithmetical calculations relating to the financial numbers presented in the Unaudited Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with ISAE 3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with International Standards on Auditing or International Standards on Review Engagements issued by the IAASB. Accordingly, we do not express an audit or review opinion on the Unaudited Financial Information.

**Opinion**

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly compiled in accordance with the bases adopted by the directors as set out on Pages III-1 to III-2 of the Circular and is presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017.

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 31 August 2018

**B. REPORT FROM LEGO CORPORATE FINANCE**

*The following is the full text of the report received from Lego Corporate Finance, the Independent Financial Adviser, prepared for the sole purpose of inclusion in this circular.*



The Board of Directors  
International Elite Ltd.  
Room 3809-3810  
Hong Kong Plaza  
188 Connaught Road West  
Hong Kong

31 August 2018

Dear Sirs,

We refer to the paragraph headed “Unaudited financial information of Disposal Group I and Disposal Group II” in Appendix III to the circular issued by the International Elite Ltd. (the “**Company**”) dated 31 August 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

We refer to the following unaudited financial information (the “**Unaudited Financial Information**”):

*“(i) The unaudited revenue of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017*

	Year ended 31 December 2016	
	Disposal Group I	Disposal Group II
	HK\$'000	HK\$'000
Revenue	6,103	–
	Year ended 31 December 2017	
	Disposal Group I	Disposal Group II
	HK\$'000	HK\$'000
Revenue	12,348	–



- (ii) *Unaudited loss before and after tax of Disposal Group I and Disposal Group II for the years ended 31 December 2016 and 2017*

	<b>Year ended 31 December 2016</b>	
	<b>Disposal Group I</b>	<b>Disposal Group II</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(20,073)	(31)
Loss after tax	(19,479)	(31)

	<b>Year ended 31 December 2017</b>	
	<b>Disposal Group I</b>	<b>Disposal Group II</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(24,830)	(369)
Loss after tax	(22,155)	(369)

- (iii) *The unaudited consolidated net asset value/(liabilities) and aggregated unaudited consolidated net asset value of Disposal Group I and Disposal Group II as at 31 December 2017*

	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	<i>HK\$'000</i>
Consolidated net asset value of Disposal Group I	130,735
Less: Amount due from Disposal Group II	(35,542)
Consolidated net liabilities of Disposal Group II	(7,479)
Add: Amount due to Disposal Group I	35,542
Aggregated unaudited consolidated net asset value of Disposal Group I and Disposal Group II as adjusted by the elimination of inter-company balances	123,256

- (iv) *Estimated gain on the Disposal*

Estimated gain on the Disposal is approximately HK\$86.5 million with reference to the initial consideration of the Disposal, the estimated transaction costs in relation to the Disposal, the unaudited net asset value of the Disposal Groups as at 31 December 2017, relevant intangible assets and reserves related to the Disposal Groups recorded by the Group as at 31 December 2017."

The Unaudited Financial Information constitute profit forecasts under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants of the Company. This report is issued in compliance with the requirements under Note 1(c) to Rules 10.1 and 10.2, Rule 10.3(b) and Rule 10.4 of the Takeovers Code.

For the purpose of giving this letter, we have reviewed the Unaudited Financial Information and other relevant information and documents (in particular, the Disposal Agreement, the management accounts of the Disposal Groups (the “**Accounts**”) and the schedule relating to the estimated transaction costs in relation to the Disposal (the “**Schedule**”) which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the information and documents (in particular, the Accounts and Schedule) provided by you which formed the key bases upon which the Unaudited Financial Information have been made. In respect of the accounting policies and calculations concerned, upon which the Unaudited Financial Information have been made, we have considered the report as contained in the circular addressed to the Board from PricewaterhouseCoopers, being the auditor of the Company. Based on the report from PricewaterhouseCoopers, PricewaterhouseCoopers is of the opinion that, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly compiled in accordance with the bases adopted by the Directors as set out on pages III-1 to III-2 of the Circular and is presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2017.

On the basis of the foregoing, we are of the opinion that the Unaudited Financial Information, for which the Directors are solely responsible, have been made with due care and consideration.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

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

## 2. DISCLOSURE OF INTERESTS

### (i) Directors' and chief executives' interests and short positions in securities of the Company and its associated corporations

As at the Latest Practicable Date, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

#### *Long Positions in Underlying Shares of the Company*

Name of Directors	Company/ Associated corporation	Number of shares held			Total of Interests	Percentage of Equity
		Personal Interests	Family Interests	Corporate Interests		
Mr. Li Kin Shing	Company (Note 1)	1,150,470,000	3,122,430,000	2,052,000,000	6,324,900,000	69.63%
Mr. Li Wen	Company (Note 2)	36,900,000	-	-	36,900,000	0.41%
Mr. Wong Kin Wa	Company	15,000,000	-	-	15,000,000	0.17%
Ms. Li Yin	Company (Note 3)	-	-	-	-	-
Mr. Li Kin Shing	Ever Prosper (Note 4)	500	465	-	965	96.5%
Ms. Kwok King Wa	Ever Prosper (Note 4)	465	500	-	965	96.5%
Ms. Li Yin	Ever Prosper (Note 3)	35	-	-	35	3.5%

*Notes:*

1. The 2,052,000,000 Shares are held by Ever Prosper, which is held as to 50% and 46.5% by Mr. Li Kin Shing and Ms. Kwok King Wa respectively. The 3,122,430,000 Shares are held by Ms. Kwok King Wa in person. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa. Accordingly, Mr. Li Kin Shing is deemed to be interested in the 6,324,900,000 Shares under the SFO.
2. The 36,900,000 Shares are held by Mr. Li Wen in person.
3. Ms. Li Yin, the sister of Mr. Li Kin Shing, holds 3.5% of the issued share capital of Ever Prosper, which in turn holds 22.59% of the issued share capital of the Company. Therefore, she will have an attributable interest of 0.79% of the issued share capital of the Company.
4. Mr. Li Kin Shing holds 500 shares of Ever Prosper in person, with the nominal value US\$1 per share. The 465 shares of Ever Prosper is held by Ms. Kwok King Wa in person. Ms. Kwok King Wa is the spouse of Mr. Li Kin Shing. Accordingly, each of Mr. Li Kin Shing and Ms. Kwok King Wa is deemed to be interested in the 965 shares of Ever Prosper under each other's name under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had 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 were deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(ii) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

*Long Position in the Shares*

Name	Capacity	Number of Shares	Approximate percentage of interests
Ever Prosper	Beneficial owner	2,052,000,000 ( <i>Note 1</i> )	22.59%
Jovial Elite Limited	Beneficial owner	900,000,000 ( <i>Note 2</i> )	9.91%
Hony Capital Fund 2008, L.P.	Interest in controlled corporation	900,000,000 ( <i>Note 2</i> )	9.91%
Hony Capital Fund 2008 GP, L.P.	Interest in controlled corporation	900,000,000 ( <i>Note 2</i> )	9.91%
Hony Capital Fund 2008 GP Limited	Interest in controlled corporation	900,000,000 ( <i>Note 2</i> )	9.91%

Name	Capacity	Number of Shares	Approximate percentage of interests
Hony Gold Holdings, L.P.	Beneficial owner	6,873,012,321 ( <i>Note 2</i> )	75.67%
Hony Gold GP Limited	Interest in controlled corporation	6,873,012,321 ( <i>Note 2</i> )	75.67%
Hony Group Management Limited	Interest in controlled corporation	7,773,012,321 ( <i>Note 2</i> )	85.57%
Hony Managing Partners Limited	Interest in controlled corporation	7,773,012,321 ( <i>Note 2</i> )	85.57%
Exponential Fortune Group Limited	Interest in controlled corporation	7,773,012,321 ( <i>Note 2</i> )	85.57%
Zhao John Huan	Interest in controlled corporation	7,773,012,321 ( <i>Note 2</i> )	85.57%
Glory Moment Investments Ltd.	Beneficial owner	840,000,000 ( <i>Note 3</i> )	9.25%
Wang Shuang Yin	Beneficial owner	530,000,000	5.83%
Sun Xiaohong	Beneficial owner	500,000,000	5.50%

*Notes:*

- The 2,052,000,000 Shares are held by Ever Prosper, which is held as to 50%, 46.5% and 3.5% by Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin respectively. Mr. Li Kin Shing is the spouse of Ms. Kwok King Wa; and Ms. Li Yin is the sister of Mr. Li Kin Shing.
- Jovial Elite Limited is a wholly-owned subsidiary of Hony Capital Fund 2008, L.P., which is managed by Hony Capital Fund 2008 GP, L.P. (as general partner). Hony Capital Fund 2008 GP, L.P. is, in turn, managed by Hony Capital Fund 2008 GP Limited (as general partner). Therefore, Hony Capital Fund 2008, L.P., Hony Capital Fund 2008 GP, L.P. and Hony Capital Fund 2008 GP Limited are deemed to be interested in the shares in which Jovial Elite Limited is interested under the SFO.  
  
Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited (as general partner). Therefore, Hony Gold GP Limited is deemed to be interested in the shares in which Hony Gold Holdings, L.P. is interested.  
  
Hony Capital Fund 2008 GP Limited and Hony Gold GP Limited are wholly-owned subsidiaries of Hony Group Management Limited, which is owned as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%. As such, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners Limited and Hony Group Management Limited are deemed to be interested in the shares in which Jovial Elite Limited and Hony Gold Holdings, L.P. are interested under the SFO.
- The 840,000,000 Shares are held by Glory Moment Investments Ltd., which is wholly owned by Mr. Fang Shin.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, 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, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. COMPETING INTERESTS

Save as disclosed below, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates (as defined under the Listing Rules) is considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

#### **Directors' interest in competing business**

In September 2003, Mr. Li Kin Shing, an executive Director and chairman of the Company, acquired 1,150,000 shares in PacificNet Inc. ("PacificNet"). PacificNet is a company incorporated in the State of Delaware and listed on the NASDAQ Stock Exchange in the US till August 2012. Based on the last filed quarterly report of PacificNet for the nine months ended 30 September 2008, the shares acquired by Mr. Li Kin Shing represented approximately 7.21% shareholding in PacificNet as of 30 September 2008. According to its financial reports, PacificNet is engaged in the business of providing CRM and outsourcing services, telecommunications value-added services, telecommunications and gaming products and services in Asia. The CRM and outsourcing services provided by PacificNet include business process outsourcing such as CRM centers, CRM and telemarketing services, and IT outsourcing services including software programming and development services. In April 2008, PacificNet consummated the sale of its subsidiary, PacificNet Epro Holdings Limited, which is primarily engaged in the business of providing call centre telecom and CRM services as well as other business outsourcing services in China. However, the Directors consider that it is uncertain as to whether or not PacificNet will continue to develop and/or operate CRM outsourcing services. Accordingly, the Directors are of the view that there is a potential risk that services provided by PacificNet may compete with the services provided by the Group.

The Directors confirm that the Group had not experienced any notable customer loss in the past as a result of competition from PacificNet and the Group is capable of carrying on its business independently of and at arm's length from the business of PacificNet as (i) Mr. Li Kin Shing is only an investor in PacificNet and he has no management role or duty in PacificNet; (ii) to the best knowledge of the Directors, all the directors and senior management of PacificNet are independent of and not connected with any Directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates and the Board operates independently from the board of directors of PacificNet; and (iii) the Group is not operationally or financially dependent on PacificNet. The Directors confirm that Mr. Li Kin Shing has no absolute right to appoint a director in PacificNet. As Mr. Li Kin Shing holds no board representation or management position and only holds a 7.21% minority interest in PacificNet, it is highly unlikely that Mr. Li Kin Shing's interest in PacificNet would influence the decision-making of the board of directors or management of PacificNet. As such, the Directors are of the view that the Group's business will not be materially and adversely impacted as a result of Mr. Li Kin Shing's shareholding interest in PacificNet.

Mr. Li Kin Shing has excluded his interests in PacificNet from the Group since:

1. the Group is a CRM outsourcing service provider whereas PacificNet is also engaged in the business of providing telecommunications value-added services, telecommunications and gaming products and services as well as IT outsourcing services;
2. the Group focuses on the Hong Kong, Macau and the PRC markets whereas PacificNet targets customers in the whole Asian market; and
3. given that Mr. Li Kin Shing only holds approximately 7.21% minority interest without any board representation or management position in PacificNet, injection of his interest in PacificNet into the Group does not provide a material benefit to the Group as a whole.

As at the Latest Practicable Date, Mr. Li Kin Shing confirmed that he had no intention to inject his interest in PacificNet into the Group and he had no intention to increase his shareholding in PacificNet.

Ever Prosper, Mr. Li Kin Shing, Ms. Kwok King Wa and Ms. Li Yin (the "Covenantors") executed a deed of non-competition undertaking in favour of the Company on 10 October 2007 pursuant to which the Covenantors have undertaken to the Company that in the event the Covenantors were given any business opportunity that is or may involve direct or indirect competition with the business of the Group, the Covenantors shall assist the Company in obtaining such business opportunities in the terms being offered to the Covenantors, or more favourable terms being acceptable to the Company provided that the Covenantors shall not proceed with such opportunity should the Company decline to accept such offer.

**Competing interests**

Directel Limited, a company incorporated in the Cayman Islands, is held as to 50% and 50% by Mr. Li Kin Shing, an executive Director and the Chairman of the Company, and Ms. Kwok King Wa, the spouse of Mr. Li Kin Shing, respectively. According to the Listing Rules, Directel Limited is an associate of Mr. Li Kin Shing and Ms. Kwok King Wa and thus a connected person of the Company.

Directel Limited is the legal and beneficial owner of the RF-SIM intellectual property rights in Hong Kong and Macau. Further, Directel Limited is the licensee of the operation rights of RF-SIM in markets other than the PRC in addition to its owned RF-SIM intellectual property rights in Hong Kong and Macau and it has the right to grant licences of the operation rights of RF-SIM intellectual property rights to others in markets other than the PRC. There is a risk that such services provided by Directel Limited may compete with the services provided by the Enlarged Group as Directel Limited may grant licences of the operation rights of RF-SIM intellectual property rights in other regions.

**4. SERVICE CONTRACTS**

Each of Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa, Mr. Li Wen, Mr. Chen Xue Dao and Mr. Cheung Sai Ming has entered into a service agreement with the Company for an initial term of three years commencing from 16 October 2013 and shall continue thereafter until terminated by either party giving to the other not less than three month's prior notice in writing.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Enlarged Group which was not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

**5. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP**

Save as disclosed in this circular, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular and which is significant in relation to the businesses of the Enlarged Group.



**6. LITIGATION**

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

**7. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by members of the Group) has been entered into by the Group within the two years immediately preceding the date of this circular and are of a material nature:

- (i) the Acquisition Agreement; and
- (ii) the Disposal Agreement.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up).

**9. EXPERTS AND CONSENTS**

The following are the qualification of the experts which have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants
Lego Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
RHL Appraisal Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts, does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, opinion, report and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, each of the above experts, did not have any interest, direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

#### 10. GENERAL

- (a) The company secretary and the qualified accountant of the Company is Ms. Chan Wai Ching, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The Company's registered office is at The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. The head office and principal place of business is at Room 3809-3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents are available for inspection during normal business hours on any Business Day except on Saturday, Sunday and public holidays at the office of the Company in Hong Kong at Room 3809-3810, Hong Kong Plaza, 188 Connaught Road West, Hong Kong from the date of this circular to the date of EGM:

- (a) the service contracts referred to in the paragraph headed "Service Contracts" in this appendix; and
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## INTERNATIONAL ELITE LTD.

### 精英國際有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1328)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**Meeting**”) of INTERNATIONAL ELITE LTD. (the “**Company**”) will be held at 11:00 a.m. on Monday, 24 September 2018 at Lily Room, 3/F, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong for the purpose of considering and, if though fit, approving, among others, the following resolutions as a special resolution and ordinary resolution of the Company (whenever applicable). Unless otherwise indicated, 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 31 August 2018 (“**Circular**”).

The following resolutions will be considered and, if thought fit, approved by the Shareholders, with or without amendments, at the EGM:

### SPECIAL RESOLUTION

1. “**THAT** the articles of association of the Company (the “**Articles**”) be amended in the following manner:
  - (1) By deleting and replacing the existing Article 133 in its entirety with the following:

“133. Subject to the Law, the Company in general meeting or the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.”;
  - (2) By deleting and replacing the existing Article 134 in its entirety with the following:

“134. Dividends may be declared and paid out of the profits of the Company, realized or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Law.”; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) By deleting and replacing the existing Article 136 in its entirety with the following:

“136. (1) The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the financial conditions and the net realisable value of the assets of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever the financial conditions and the net realisable value of the assets of the Company, in the opinion of the Board, justifies such payment.

136. (2) The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company (including share premium) and as they think fit, and the provisions of paragraph (1) of this Article as regards the power and exemption from liability of the Directors as relate to the declaration and payment of interim dividends shall apply, mutatis mutandis, to the declaration and payment of any such special dividends.”.

### ORDINARY RESOLUTIONS

2. “**THAT** (a) conditional upon passing of Special Resolution No.1 set out in the notice convening the Meeting, the declaration and payment of special dividend entirely out of the Share Premium Account to the Shareholders by way of the distribution in specie of the Relevant Shares in the proportion of 961 Global Link Shares for every 10,000 Shares held in the Company to the Qualifying Shareholders whose names appear on the register of members of the Company at the close of business on 5 October 2018, being the record date for determination of entitlement to the Distribution in Specie, be and is hereby approved; and (b) any Director be and is hereby authorised to take such action, do such things and execute such further documents as the Director may at his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the payment of the special dividend and the Distribution in Specie.”

## NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT** (a) the Disposal and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified in all respects; and (b) the Directors be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the Articles) in connection with the Disposal and the transactions contemplated thereunder and to do and take all such actions, steps, deeds and things in such manner as they may deem necessary, desirable or appropriate to give effect to the Disposal and the transactions contemplated thereunder;
4. “**THAT** (a) the Acquisition and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified in all respects; (b) conditional upon the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares on the Stock Exchange, the grant of the specific mandate (the “Specific Mandate”) to the Directors to exercise the powers of the Company to issue and allot the Consideration Shares (being 2,263,012,321 Shares) at the issue price HK\$0.11931 per Consideration Share in settlement of HK\$270 million as the consideration for the Acquisition contemplated under the Acquisition Agreement be and is hereby approved, confirmed and rectified in all respects; (c) the Directors be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the Articles) in connection with the Acquisition and the transactions contemplated thereunder and the Specific Mandate and to do and take all such actions, steps, deeds and things in such manner as they may deem necessary, desirable or appropriate to give effect to the Acquisition and the transactions contemplated thereunder, and the issue of the Consideration Shares under the Specific Mandate;
5. “**THAT** (a) the Management Agreements and the transactions contemplated thereunder, and the Management Service Annual Cap be and are hereby approved, confirmed and ratified in all respects; and (b) the Directors be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the Articles) in connection with the Management Agreements and the transactions contemplated thereunder, and the Management Service Annual Cap and to do and take all such actions, steps, deeds and things in such manner as they may deem necessary, desirable or appropriate to give effect to the Management Agreements and the transactions contemplated thereunder”.

On behalf of the Board  
**International Elite Ltd.**  
**Li Kin Shing**  
*Chairman*

Hong Kong, 31 August 2018

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*As at the date of this notice, the executive Directors are Mr. Li Kin Shing, Ms. Li Yin, Mr. Wong Kin Wa and Mr. Li Wen; the independent non-executive Directors are Mr. Chen Xue Dao, Mr. Cheung Sai Ming and Mr. Liu Chun Bao.*

Notes:

- (1) The instrument appointing a proxy shall be in writing under the head of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- (2) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the Meeting to represent the member.
- (3) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong together with any power of attorney or other authority, under which it is signed, or a certified copy of that power of authority, not less than 48 hours before the time for holding the Meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, if he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- (5) For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 19 September 2018 to Monday, 24 September 2018, both days inclusive, during which period no transfer of shares of the Company shall be effected. To qualify for the attendance and voting at the Meeting of the Company, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 18 September 2018.
- (6) The record date for entitlement to the proposed special dividend is Friday, 5 October 2018. For determining the entitlement to the proposed special dividend, the register of members of the Company will be closed from Wednesday, 3 October 2018 to Friday, 5 October 2018 and no transfer of shares will be effected during such period. In order to qualify for the proposed special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 2 October 2018.
- (7) A form of proxy for use at the Meeting is enclosed.