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

If you have sold or transferred all your securities in E-Commodities Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(formerly known as “WINSWAY ENTERPRISES HOLDINGS LIMITED 永暉實業控股股份有限公司”)

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

**(1) PROPOSED ISSUE OF UNLISTED CONVERTIBLE BONDS AND
UNLISTED WARRANTS UNDER SPECIFIC MANDATE**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of the Company is set out on pages 7 to 60 of this circular. A notice convening an extraordinary general meeting of the Company to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, on Monday, 24 July 2017 at 9:00 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company or any adjournment of it should you so wish.

6 July 2017

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DEFINITIONS

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

“Acceptance Notice”	a written notice from the Company to the transferring Warrantholder within two Business Days from the date of the Offer Notice setting out its intention to purchase all (but not part) of the Offered Warrants at the Offer Price, and shall complete the payment of the aggregate Offer Price to the transferring Warrantholder in cash. Any Acceptance Notice shall be irrevocable.
“Affiliate(s)”	with respect to a person, any and all other person(s) that, directly or indirectly through one or more intermediaries, control, is controlled by, or is under common control with, such person
“Approved Merchant Bank”	a merchant bank of international repute in Hong Kong independent of the Company, and selected by the Company and approved in writing by the Majority Bondholder, which approval shall not be unreasonably withheld, and if the Company fails to select the Approved Merchant Bank within seven days upon request, the Majority Bondholder (at its absolute discretion) may select the Approved Merchant Bank; the Approved Merchant Bank’s engagement and costs shall be borne by the Company for the purpose of providing a specific opinion or calculation or determination under the terms and conditions of Bonds
“Board”	the board of Directors
“Bond Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Bonds
“Bondholder(s)”	the holder(s) of the Bonds from time to time
“Bonds”	the 5% convertible bonds in an aggregate principal amount of US\$40 million to be issued by the Company in accordance with the terms of the Subscription Agreement
“Business Day”	a day (other than a Saturday or Sunday and such other days where a “black” rainstorm warning or a tropical cyclone warning number 8 or above is in force in Hong Kong) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	British Virgin Islands

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“Charged Subsidiaries”	subsidiaries of the Company as set out in the Subscription Agreement, that is certain Subsidiaries, namely, Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development (HK) Limited
“Chargor(s)”	chargor(s) as set out in the Subscription Agreement, that means the Company and certain Subsidiaries, namely, Great Trend Enterprises Ltd., E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Reach Goal Management Ltd. and Eternal International Logistics Limited
“Collateral”	all collateral securing or purported to be securing, directly or indirectly, the obligations of the Company under the Bonds and of the Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the capital stock of the Charged Subsidiaries
“Company”	E-Commodities Holdings Limited, company incorporated under the laws of in the BVI with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1733)
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement
“Completion Date”	the third Business Day after the date on which all the Conditions Precedent are fulfilled or, as the case may be, waived by the Subscriber (or such other date as the Company and the Subscriber may agree)
“Conditions Precedent”	the conditions precedent to the Subscription as set out in the Subscription Agreement as further described in the paragraph headed “Conditions Precedent to the Subscription” in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Period”	has the meaning ascribed to it in the section headed “Principal terms of the Bonds” in this circular

DEFINITIONS

“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.90 per Conversion Share (subject to adjustments)
“Conversion Rights”	the right(s) of a Bondholder to convert the whole or part of the principal amount of the Bonds into Shares subject to and in accordance with the terms and conditions of the Bond Instrument
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Bonds
“Core Connected Person(s)”	has the meaning as defined in the Listing Rules
“Direct Competitor”	each direct competitor to the Company as at the date of the Bond Instrument and the Warrant Instrument as set out therein selected based on (i) business operations in competition with the Group’s business, and (ii) holders, either individually or collectively with their Affiliates, holding 10% or more of the issued Shares who have disclosed their interests in such Shares under Part XV of the SFO through the “Disclosure of Interests” page of the website of the Stock Exchange; or whose names and their 10% or more shareholding in the issued Shares are disclosed in the most recent annual report or interim report (whichever is most recent) of the Company at the relevant time
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Bonds and the Warrants and the Specific Mandate
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse or third party claims, or other encumbrances, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of same (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, encumbrance, lien or charge of any kind) and “ Encumbrancer ” shall be construed accordingly

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“Extraordinary Resolution”	a resolution passed at a meeting of Bondholders duly convened and held by not less than 75% (either personally or by proxy) of the votes cast. A written resolution signed by or on behalf of a holder or the holders of not less than 75% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person independent of and not connected with the Company and its connected persons
“Issue Date”	the date of issue of the Bonds and the Warrants
“Last Trading Day”	1 June 2017, being the last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	4 July 2017, 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 (as amended from time to time)
“Majority Bondholder”	at any time, any one or more Bondholder(s) holding Bonds representing, in aggregate, not less than 75% of the principal amount of the Bonds then outstanding, or without such Bondholder(s), by an Extraordinary Resolution any Bondholder or being proxies or representatives in respect of Bonds and representing, in aggregate, not less than 75% of the aggregate principal amount of the Bonds then outstanding
“Majority Warrantholder”	at any time, any one or more Warrantholder(s) holding Warrants representing, in aggregate, not less than 75% of the aggregate number of the Warrants then unexercised, or being proxies or representatives in respect of Warrants and representing, in aggregate, not less than 75% of the aggregate number of the Warrants then unexercised

DEFINITIONS

“Market Price”	in respect of the Shares on a particular date, the average of the closing prices of the Shares for the last 20 consecutive Trading Days ending on the Trading Day immediately preceding such date
“Material Adverse Effect”	a change, or any development or event involving or likely to involve a prospectus change, which (a) has or would likely have a material and adverse effect on the condition (financial, operational or otherwise), prospects, results of operations, earnings, business affairs, profitability, shareholder’s equity, assets or liabilities, business, properties or general affairs of the Company or any members of the Group (including the Subsidiaries) or their securities, or (b) has or would likely have a material adverse effect on the ability of the Company or any members of the Group, the Subsidiary Guarantors or the Chargors to perform their respective obligations under any of the Transaction Documents (c) are otherwise material in the context of the issue of the Bonds or the Warrants, in each case, whether or not arising in the ordinary course of business
“Maturity Date”	the fifth anniversary of the Issue Date
“Mr. Wang’s Group”	Mr. Wang Xingchun (王興春先生) and his directly or indirectly wholly-owned companies, Winsway Group Holdings Limited, Winsway Resources Holdings Limited, Great Start Development Ltd. and Winsway International Petroleum & Chemicals Limited
“Ms. Wang”	Ms. Wang Yihan (王奕涵女士), the ultimate controlling shareholder (with the meaning ascribed to it under the Listing Rules) of the Company
“New Share(s)”	the Conversion Share(s) and the Warrant Share(s)
“Offer Notice”	a written notice that shall be served by the Warrantholder proposing to transfer any Warrants held by it to any party who is not an Affiliate of the Warrantholder to the Company, at any time prior to any exercise of the Warrant Subscription Rights and prior to the expiry of the Subscription Period, setting out (a) the number of the Offered Warrants and (b) Offer Price
“Offer Price”	the proposed consideration of the Offered Warrants

DEFINITIONS

“Offered Warrants”	the Warrants proposed to be transferred by the Warrantholder proposing to transfer any Warrants held by it to any party who is not an Affiliate of the Warrantholder
“Ordinary Resolution”	a resolution passed at a meeting of Bondholders duly convened and held by a majority (either personally or by proxy) consisting of not less than half of the votes cast. A written resolution signed by or on behalf of a holder or the holders of not less than 50% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Ordinary Resolution
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Redemption Amount”	the redemption amount payable by the Company to the Subscriber pursuant to the redemption notice and shall equal to such amount representing an internal rate of return of 10% on the principal amount of the outstanding Bonds to be redeemed (including the unpaid interest but excluding default interest) on the redemption date as determined pursuant to the terms and conditions of the Bond Instrument, together with any other amounts due and payable under the Transaction Documents
“Restructuring”	the transactions contemplated under the debt restructuring and the Rights Issue
“Restructuring Support Agreement”	the restructuring support agreement dated 25 November 2015 entered into between the Company and other relevant parties
“Rights Issue”	the rights issue as described under the circular of the Company dated 25 April 2016
“Security Documents”	Share Charges, and together with the other agreements or instruments that may evidence or create any security in favour of the Bondholders and/or the security trustee as selected by the Subscriber in any or all of the Collateral
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) with no par value of the Company

DEFINITIONS

“Share Charge(s)”	charges over all the issued share capital/issued shares of the Charged Subsidiaries in relation to the Bonds by the Chargors or the Company with the security trustee to be selected by the Subscriber
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Conversion Shares upon full conversion of the Bonds and the allotment and issue of the Warrant Shares upon full exercise of the Warrants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Lord Central Opportunity VII Limited, a company incorporated in the BVI with limited liability
“Subscription”	the issue of the Bonds and issue of the Warrants by the Company to the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 June 2017 entered into between the Company, the Subscriber and the Subsidiary Guarantors in relation to the Subscription
“Subscription Period”	has the meaning ascribed to it in the section headed “Principal terms of the Warrants” in this circular
“Subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary within the meaning of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), the BVI Business Companies Act, 2004 of the BVI, or the Listing Rules as amended from time to time, irrespective of its place of incorporation
“Subsidiary Guarantee”	guarantee to be entered into by each of the Subsidiary Guarantors

DEFINITIONS

“Subsidiary Guarantors”	certain Subsidiaries that provide the Subsidiary Guarantee, namely, Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd. (株式会社イー・コモディティーズジャパン), E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development (HK) Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of the SFC
“Trading Day”	day(s) when the Stock Exchange is open for dealing business, provided that if no closing price is published in the daily quotation sheet by the Stock Exchange, such day(s) will be disregarded in any relevant calculation and shall be deemed not to have been Trading Days
“Transaction Documents”	collectively, the Subscription Agreement, the Share Charges, the Subsidiary Guarantee, the Bond Instrument, the Warrant Instrument and any other documents relating to the transactions contemplated therein which may be entered into from time to time
“US\$”	United States Dollars, the lawful currency of the United States of America
“VWAP”	volume weighted average price in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page 1733 HK Equity VWAP or such other source as shall be determined to be appropriate by an approved merchant bank on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the VWAP of a Share in respect of such Trading Day shall be the VWAP, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
“Warrant(s)”	118,060,606 unlisted warrants of the Company to be created by the Warrant Instrument and any deed poll supplemental thereto entitling the registered holders thereof to exercise Warrant Subscription Rights on the terms set out therein

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“Warrantholder(s)”	person(s) in whose name a Warrant is registered in the register of Warrantholders, and “holder(s)” in relation to a Warrant has a corresponding meaning
“Warrant Instrument”	the instrument to be executed by the Company by way of a deed poll constituting the Warrants
“Warrant Share(s)”	new Share(s) to be allotted and issued by the Company upon the exercise of the Warrant Subscription Rights
“Warrant Subscription Price”	the subscription price per Warrant Share and initially at HK\$0.99 per Warrant Share (subject to adjustments)
“Warrant Subscription Rights”	the rights of the Warrantholder represented by the Warrants to subscribe for Shares pursuant to the Warrants
“%”	per cent.

For the purpose of illustration only, amounts denominated in US\$ have been translated into HK\$ at the exchange rate of US\$1 to HK\$7.792.



E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(formerly known as “WINSWAY ENTERPRISES HOLDINGS LIMITED 永暉實業控股股份有限公司”)

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

Directors:

Executive Directors:

Cao Xinyi (*Chairman*)

Wang Wengang

Zhu Hongchan

Wang Yaxu

Non-executive Director:

Guo Lisheng

Independent Non-executive Directors

Ng Yuk Keung

Wang Wenfu

Gao Zhikai

Registered Office:

Nerine Chambers

PO Box 905

Road Town, Tortola

British Virgin Islands

Principal Place of Business

in Hong Kong:

Suites 2104-05

Hutchison House

10 Harcourt Road

Hong Kong

6 July 2017

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED ISSUE OF UNLISTED CONVERTIBLE BONDS AND
UNLISTED WARRANTS UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 2 June 2017. As disclosed in the said announcement, the Company has entered into the Subscription Agreement with the Subscriber, pursuant to which, among other things, the Subscriber has agreed to subscribe for the Bonds in an aggregate principal amount of US\$40 million and the 118,060,606 Warrants on the terms and subject to the conditions set out therein and summarised below.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) details of the Bonds and Warrants; (iii) details of the Specific Mandate, the notice convening the EGM, and other information as required under the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date

1 June 2017

Parties

- (1) The Company (as the issuer);
- (2) Lord Central Opportunity VII Limited (as the Subscriber); and
- (3) Subsidiary Guarantors (as guarantors for the Company)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Other than the Subscription Agreement and the transactions contemplated therein, the Company has not entered or has not contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Subscriber.

The Subscription and Issue of the Bonds and the Warrants

Subject to the fulfilment or waiver of the Conditions Precedent, the Company has agreed to issue and the Subscriber has agreed to subscribe for the Bonds in an aggregate principal amount of US\$40 million and the 118,060,606 Warrants.

The Bonds shall carry the rights to convert into Conversion Shares. The initial Conversion Price is HK\$0.90 per Conversion Share (subject to adjustments). Assuming the Conversion Rights attached to the Bonds are exercised in full at the initial Conversion Price of HK\$0.90 per Conversion Share, 345,777,777 Conversion Shares will fall to be issued to the Bondholders, representing approximately 10.95% of the issued capital of the Company as at the Latest Practicable Date and approximately 9.87% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares. Should the Conversion Price be adjusted, based on the floor price of HK\$0.72 per Conversion Share, the maximum number of New Shares that could be issued upon exercise of the conversion rights is 432,222,222 Conversion Shares.

The Warrants shall carry the rights to subscribe for Warrant Shares. The initial Warrant Subscription Price is HK\$0.99 per Warrant Share (subject to adjustments). Assuming the Warrant Subscription Rights attached to the Warrants are exercised in full, 118,060,606 Warrant Shares will fall to be issued to the Warrantholder, representing (i) approximately

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3.74% of the issued capital of the Company as at the Latest Practicable Date; (ii) approximately 3.60% of the issued share capital of the Company as enlarged by the issue and allotment of the Warrant Shares; and (iii) approximately 3.26% of the issued share capital of the Company as enlarged by this issue and allotment of all Conversion Shares at the initial Conversion Price and the Warrant Shares, respectively.

The Directors confirm that the issue of the Warrants will comply with the applicable laws and regulations in Hong Kong (including the Listing Rules). In particular, pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the subscription rights attaching to the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the total number of Shares in issue at the time the Warrants are issued.

Conditions Precedent to the Subscription

The obligations of the parties to proceed with the issue of the Bonds and the Warrants under the Subscription Agreement shall be conditional upon all of the following conditions being fulfilled to the satisfaction of the Subscriber (at its sole and absolute discretion) and/or waived in writing by the Subscriber (except for conditions (1), (2) and (4) below, which are incapable of being waived):

- (1) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Shares to be issued, and the necessary approval for the issue of Bonds and the Warrants under the Subscription Agreement and the Transaction Documents (including the New Shares);
- (2) the Company having obtained the approval and authorisation from the Shareholders for entering into, and the transactions contemplated under, the Subscription Agreement and the Transaction Documents (including without limitation, the issue of the Bonds and the Warrants, and the issue and allotment of the New Shares);
- (3) the Subscriber having obtained the approval from the Subscriber's investment committee for entering into and the transactions contemplated under the Subscription Agreement and the Transaction Documents (including without limitation, the issue of the Bonds and the Warrants, and the issue and allotment of the New Shares);
- (4) each of the Company and the Subsidiary Guarantors having obtained all necessary approvals required under its memorandum and articles of association, applicable laws and the Listing Rules for the entering into and the transactions contemplated under the Subscription Agreement and the Transaction Documents;
- (5) each of the Company and the Subsidiary Guarantors having obtained all of necessary consents from third party required under contractual obligations or otherwise for the entering into and the transactions contemplated under the Subscription Agreement and the Transaction Documents;

LETTER FROM THE BOARD

- (6) the Subscriber having performed and completed to its sole satisfaction due diligence review of the Group, its business, affairs, operations and financial position;
- (7) the warranties under the Subscription Agreement remaining true, accurate and correct in all respects and not misleading in any respect at all times on the date of the Subscription Agreement and repeated on and up to the Completion Date, and no event has happened between the date of the Subscription Agreement and each such date which made or is likely to make any of the warranties untrue, inaccurate, incorrect or misleading or breached in any respect;
- (8) the Company and the Subsidiary Guarantors having performed and complied with all agreement, obligations and conditions contained in the Subscription Agreement and Transaction Documents to be performed on or before such date;
- (9) there not having occurred any Material Adverse Effect;
- (10) none of the Company or any members of the Group is in breach of or in default under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound;
- (11) neither the Company nor any member of the Group being demanded by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;
- (12) neither the Company nor any member of the Group (including the Subsidiary Guarantors) being in contravention of the Listing Rules or any applicable laws;
- (13) there being no injunction, restraining order or order of similar nature by a governmental authority issued that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement and the Transaction Documents;
- (14) the absence of other changes, development and events of a financial, political, economic or similar nature that would or would prejudice the success of the issue of the Bonds and the Warrants or the transactions contemplated under the Subscription Agreement and the Transaction Documents;
- (15) there not having occurred any of the following events: (a) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (b) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange; (c) a general moratorium on commercial banking activities in the relevant jurisdictions declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the relevant jurisdictions; or (d) a change or development involving a prospective change in taxation adversely affecting the Company or any member of the Group, the Bonds, the Warrants, the New Shares, or the transfer thereof;

LETTER FROM THE BOARD

- (16) there not having occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, force majeure or epidemic) as would in the Subscriber's view be likely to prejudice materially the success of the issue and distribution of, or dealings in, the Bonds, the Warrants or the New Shares in the secondary market;
- (17) there not having been, since the date of the Subscription Agreement, any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the relevant jurisdictions;
- (18) there not having been any change in the system under which the value of the HK dollar or is linked to that of the US dollar is determined with reference to a basket of world currencies or a material devaluation of HK dollars against any foreign currency;
- (19) there having been duly executed and delivered to the Subscriber each of the Transaction Documents in form and substance satisfactory to the Subscriber; and
- (20) there having been delivered to the Subscriber and other relevant addressees legal opinions dated the Completion Date.

As at the Latest Practicable Date, all the Conditions Precedent are yet to be satisfied and/or (as the case may be) waived.

Undertakings to the Subscriber

The Company undertakes and agrees that it shall, among others, prior to or upon Completion:

- (1) procure that the Subsidiary Guarantors enter into a guarantee by each of the Subsidiary Guarantors; and
- (2) charge or procure the Chargors to charge over all the issued share capital/issued shares of the Charged Subsidiaries in relation to the Bonds with the security trustee as selected by the Subscriber in form and substance satisfactory to the Subscriber.

Each of the Company and the Subsidiary Guarantors, jointly and severally, undertakes, among others, to the Subscriber that:

- (1) none of the Company, the Subsidiary Guarantors nor any person acting on its or their behalf, dispose of or transfer its interests in the Company or of the Charged Subsidiaries without the prior written consent of the Subscriber between the date of the Subscription Agreement and the date which is 90 calendar days after the Completion Date (both dates inclusive), save and except for the issue of the Bonds, the Warrants and/or the New Shares contemplated under the Subscription Agreement; and

LETTER FROM THE BOARD

- (2) the Company shall use the net proceeds from the issue of the Bonds solely for general corporate purposes, debt refinancing and/or business development of the Company, unless with the prior consent of the Subscriber.

Each of the Company and the Subsidiary Guarantors, jointly and severally, undertakes to indemnify the Subscriber and its affiliates in the subscription of the Bonds and/or the Warrants from and against all loss suffered or incurred by any indemnified party as a consequence of, in connection with, or which would not have arisen but for (a) any breach of, or untrue, incorrect, inaccurate or misleading warranties, or (b) any failure by the Company and/or Subsidiary Guarantors to perform any of its obligations in the Subscription Agreement and/or other Transaction Documents, other than such loss arising out of the Subscriber's fraud or gross negligence as determined by a non-appellate court of competent jurisdiction. In the event the Subscriber makes a claim under item (a) above in respect of any outstanding Bonds held by the Subscriber, the Company may, within three (3) Business Days from the date of a notice, redeem all outstanding bonds held by the Subscriber by serving a redemption notice on the Subscriber and paying the Redemption Amount.

Completion of the Subscription

Completion of the Subscription Agreement shall take place on the third Business Day after the date on which all the Conditions Precedent are fulfilled or, as the case may be, waived by the Subscriber (or such other date as the Company and the Subscriber may agree in writing).

Termination

If any of the Conditions Precedent is not fulfilled or waived by the Subscriber, by 31 August 2017 or such other date as the Company and the Subscriber shall agree in writing, the Subscription Agreement shall terminate and the respective obligations of the parties therein shall forthwith cease and terminate and none of them shall have any claim against the other of them (save and except for antecedent breach).

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds were arrived at after arm's-length negotiations between the Company and the Subscriber and are summarised below:

Aggregate principal amount : US\$40 million.

Maturity Date : The fifth anniversary of the Issue Date.

Conversion Price : The Initial Conversion Price per share shall be HK\$0.90 (subject to adjustments as projected in the terms and conditions of the Bonds).

Interests : 5% per annum payable semi-annually in cash in arrears.

LETTER FROM THE BOARD

Conversion Period : the period commencing from the Business Day immediately following the Issue Date up to 4:00 p.m. on the Maturity Date.

Conversion Rights : Subject to the terms and conditions of the Bonds, a Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in integral multiples of US\$100,000) of the outstanding principal amount of the Bonds held by such Bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Bonds to be converted (translated into HK\$ at the fixed rate of HK\$7.78 to US\$1.00) by the Conversion Price in effect on the date of conversion.

Notwithstanding anything to the contrary in the Bond Instrument, if the issue of Conversion Shares would result in the Company not meeting the public float requirement under the Listing Rules, then the Company should immediately consult with the converting Bondholder in relation to the suspension of conversion sought until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of Conversion Rights and at the same time comply with the public float requirement. The converting Bondholder may elect to request a cash settlement payment by the Company (“**Cash Settlement Option**”) in respect of all or any portion of the principal amount of the Bonds. The cash settlement payment amount shall be the higher of: (a) the Redemption Amount; or (b) the product of the number of such Conversion Shares (on an as-converted basis) which would otherwise be issued upon the exercise for such Conversion Rights but for the public float requirement and the VWAP for the 3 consecutive Trading Days immediately before the date of notice of the cash settlement option for such Conversion Shares.

Ranking : all Conversion Shares to be issued and allotted pursuant to an exercise of the Conversion Rights shall rank *pari passu* and carry the same rights and privilege in all respects with the fully paid Shares in issue on the relevant registration date, provided that the Bondholder shall not knowingly transfer the Conversion Shares to a Direct Competitor subject to certain exceptions as provided in the Bond Instrument.

LETTER FROM THE BOARD

Transferability : Unless with the prior consent of the Company, the Bonds may not be knowingly transferred to a Direct Competitor, provided that this restriction will not apply to any general offer to all or substantially all shareholders of the Company made by a Direct Competitor, or any sales or placement made through an agent or broker in which a Bondholder does not have knowledge of the ultimate purchaser or through market matching facilities of the relevant securities exchange or settlement platform, or upon any failure by the Company or its Subsidiaries to perform any of its obligations under the Transaction Documents (including without limitation, upon occurrence of any Event of Default). Subject to the aforementioned, the Bonds may be transferred to any other person (including Directors, senior executives, employees and any connected persons of the Company) in whole multiples of US\$100,000 (or lesser amount as may represent the principal amount thereof).

Adjustment of the Conversion Price : On the first anniversary of the Issue Date, the Conversion Price shall be reset to the lesser of (i) the initial Conversion Price HK\$0.90; or (ii) the VWAP for 30 consecutive Trading Days preceding the first anniversary of the Issue Date, subject to a floor price equal to 80% of the closing price per Share as quoted at 4: 00 p.m. on the Stock Exchange on the Last Trading Day provided that any such adjustment shall only be downward.

On second anniversary of the Issue Date, the conversion price shall be reset again to the lesser of (i) the then prevailing conversion price; or (ii) the VWAP for 30 consecutive Trading Days preceding the second anniversary of the Issue Date, subject to a floor price equal to 80% of the closing price per Share as quoted at 4: 00 p.m. on the Stock Exchange on the Last Trading Day provided that any such adjustment shall only be downward.

The Conversion Price shall from time to time be adjusted upon:

(i) *consolidation, sub-division or reclassification of Shares;*

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

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

LETTER FROM THE BOARD

where:

A = the aggregate number of the issued shares immediately before such consolidation, subdivision or re-classification; and

B = the aggregate number of the issued shares immediately after to such consolidation, subdivision or re-classification.

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

(ii) *issue of Shares by way of capitalisation of profits or reserves;*

If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund) (except any Scrip Dividend which adjustment to the Conversion Price shall be made in accordance with sub-paragraph (iii) below), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the aggregate number of the issued Shares immediately before such issue; and

B = the aggregate number of the issued Shares after such issue.

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

LETTER FROM THE BOARD

(iii) *the issue of Shares by way of scrip dividend in lieu of cash;*

In the case of an issue of Shares by way of a Scrip Dividend where the Market Price determined based on the date on which the terms of such Scrip Dividend is publicly announced multiplied by the number of Shares issued exceeds the amount of Relevant Cash Dividend or the relevant part thereof and which would not have constitute a Capital Distribution, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the aggregate number of the issued Shares immediately before such issue;

B = the aggregate number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend in respect of each existing Share, and (ii) the denominator is the Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part of, the Relevant Cash Dividend; and

C = the aggregate number of Shares issued by way of such Scrip Dividend,

or by making such other adjustment as an Approved Merchant Bank shall certify to the Majority Bondholder is fair and reasonable.

LETTER FROM THE BOARD

For the purpose of this sub-paragraph (iii),

“**Scrip Dividend**” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, to the extent that an adjustment is made under sub-paragraph (iv) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under this sub-paragraph (iii)); and

“**Relevant Cash Dividend**” means the aggregate cash dividend or distribution declared by the Company, which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend.

Each such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed for the Scrip Dividend, immediately after such record date.

(iv) *capital distributions*;

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

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

where:

A = the Market Price determined based on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the day immediately before the date of the Capital Distribution or, as the case may be, of the grant; and

LETTER FROM THE BOARD

B = the fair market value on the day of such announcement or (as the case may require) the day immediately before, as determined in good faith by an Approved Merchant Bank or the auditors, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

provided that:

- (a) if in the opinion of the relevant Approved Merchant Bank or the auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said Market Price which should properly be attributed to the value of the Capital Distribution or the rights; and
- (b) the provisions of this sub-paragraph (iv) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

- (v) *rights issues of Shares or options or warrants or other rights over Shares less than the market price of the Shares determined at the date of announcement of the terms of the offer or grant;*

If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants or other rights to subscribe for new Shares by way of rights, at a price which is less than the Market Price determined based on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

where:

- A = the number of Shares in issue immediately before the date of such announcement, or (failing such announcement) the day immediately before such offer or grant;
- B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at the Market Price; and
- C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Each such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant, provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Bondholder (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the Laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Bonds in full on the day immediately preceding the record date for such offer or grant and such offer or grant is accepted by the Bondholder.

LETTER FROM THE BOARD

(vi) *issue of any securities (other than Shares, options or warranties or other rights to subscribe the Shares) to all or substantially all Shareholders;*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

A = the Market Price determined based on the date of such announcement, or (failing such announcement) the day immediately before such issue or grant; and

B = the fair market value of such issue or grant on a per Share basis on the date of such announcement, or (failing such announcement) the day immediately before such issue or grant, as determined in good faith by an Approved Merchant Bank or the auditors.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first day on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

LETTER FROM THE BOARD

(vii) issue of Shares at a price per Share less than 95% of the market price of the Shares at the date of the issue of such securities;

If and whenever the Company shall issue any Shares (other than covered by sub-paragraph (v) above) at a price per Share which is less than 95 per cent. of the Market Price determined based on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement, or (failing such announcement) the day immediately before such issue;

B = the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at the Market Price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

LETTER FROM THE BOARD

(viii) *issue of any securities or grant of rights, options or warrants by the Company or any of its Subsidiaries which terms of issue rights of conversion into, or exchange or subscription for or acquisition of, Shares to be issued by the Company upon conversion, exchange or subscription at a total effective consideration per Share initially receivable for such securities which is less than 95% of the market price determined based on the date of the announcement of the terms of issue of such securities;*

If and whenever the Company or any of its Subsidiaries shall issue any securities or grant any rights, options, warrants or other rights (other than covered by sub-paragraphs (v) or (vi) above) which by their terms of issue carry rights of conversion into, or exchange or subscription for or acquisition of, Shares to be issued by the Company upon conversion, exchange or subscription at a Total Effective Consideration (as defined below) per Share initially receivable for such securities which is less than 95 per cent. of the Market Price determined based on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the date of the issue;
- B = the number of Shares which the Total Effective Consideration receivable for the securities issued would purchase at the Market Price; and
- C = the maximum number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription or acquisition rights conferred by, such securities at the initial conversion or exchange rate or subscription or acquisition price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day immediately before whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription or acquisition price.

LETTER FROM THE BOARD

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

- (ix) *modification of rights of conversion, exchange or subscription attaching to the securities in (viii) above so that the consideration per Share is reduced and is less than 95% of the market price of the Shares as at the date of announcement of the proposals of such modification; and*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to securities, including any such securities covered by sub-paragraph (viii) above (other than in accordance with the terms of those securities), so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Market Price determined based on the date of announcement of the proposals for such modification, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the Market Price per Share determined based on the date on which such modification is announced; and

LETTER FROM THE BOARD

B = the difference between (i) the fair market value of the modification on a per Share basis on the date of such announcement, or (failing such announcement) the day immediately before such modification, as determined in good faith by an Approved Merchant Bank or the auditors, and (ii) the consideration received for such modification on a per Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion exchange or subscription attaching to such securities.

(x) *issue, sell or distribute any securities in connection with an offer.*

If and whenever the Company or any of its Subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to adjusted under other event of these adjustment events), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the Market Price per Share determined based on the date on which such issue, sale or distribution is announced; and

B = the fair market value of such portion of rights attributable to a Share on the date of such announcement, as determined in good faith by an Approved Merchant Bank or the auditors.

Such adjustment shall become effective on the date of modification of the rights of conversion exchange or subscription attaching to such securities.

LETTER FROM THE BOARD

For the purposes of these adjustment events:

“**announcement**” shall mean an announcement published on the Stock Exchange’s website and “**date of announcement**” shall mean the date printed on the announcement as being its date of publication and “**announced**” shall be construed accordingly;

“**auditors**” means the auditors of the Company from time to time;

“**Capital Distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or in specie but excludes a Scrip Dividend adjusted for under sub-paragraph (iii) above. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for the year ended 31 December 2016 as shown in the published audited consolidated profit and loss accounts of the Company for that financial period;

“**issue**” shall include allot;

“**reserves**” includes unappropriated profits;

“**rights**” includes rights in whatsoever form issued; and

“**Shares**” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (v) to (x) above, any such ordinary shares of the Company as, when fully paid, shall be Shares.

- Listing : No application has been or will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

LETTER FROM THE BOARD

- Redemption : The Bonds shall be mandatorily redeemed by the Company:
- (a) upon the occurrence of an event of default (as set out in the terms and conditions of the Bonds) and at any time thereafter, the Bondholder may, unless such event of default has been waived in writing by it, by issuing a default redemption notice in writing to the Company require the Company to redeem all or part of the outstanding principal amount of the Bonds at the Redemption Amount as the Bondholder may designate;
 - (b) at any time after the second anniversary of the Issue Date until the Maturity Date, the Bondholder may, by issuing a redemption notice in writing to the Company, require the Company to redeem all or part of the outstanding principal amount of the Bonds at the Redemption Amount as the Bondholder may designate; or
 - (c) any Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at the Redemption Amount.
- Shareholding in the Company : So long as any of the Bonds remains outstanding, Ms. Wang, together with her immediate family members (as defined in Chapter 14A of the Listing Rules, which shall include Mr. Wang Xingchun (王興春)) or through their wholly-owned companies (directly or indirectly), shall at all times remain the single largest shareholder of the Company.
- Limitation on business activities of the Group : So long as any of the Bonds remains outstanding, the Company and its Subsidiaries shall not:
- (a) dispose of any of its shareholding, equities or other interests in any of their respective Subsidiaries that would be expected to materially and adversely affecting the ability of the Company to fulfill their obligations under the Bonds, or the interests of the Bondholders, would have a material adverse effect on the business operations of the Group;
 - (b) conduct any transaction with any affiliates unless the same is (i) in its ordinary course of business and (ii) negotiated and entered into by the parties on an arm's-length basis;
 - (c) make any redemption of share capital, share premium account or capital redemption reserve involving any repayment to its shareholders, whether in cash or in specie or otherwise;

LETTER FROM THE BOARD

- (d) make any voluntary or optional principal payment, redemption, repurchase or other acquisition for value of indebtedness that is subordinated in right of payment to the Bonds or the Subsidiary Guarantee or other Transaction Documents;
- (e) create or have outstanding any further security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Financial Indebtedness, or any guarantee or indemnity in respect of any Financial Indebtedness;
- (f) take any action or fail to take any action, if such action or failure to take any action may interfere with the enforcement of any rights under the Bonds, any Transaction Documents or with respect to the property or assets subject to the security in any manner which could materially and adversely affect the interests of the Bondholders; or
- (g) amend or alter any of the provisions of its constitutional documents.

The Company will not, and will not permit any Subsidiary to, directly or indirectly, engage in any business other than any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Subsidiaries on the Issue Date, and which includes primarily the business of processing and trading of coking coal and other products and rendering of logistics services.

Event of default : Upon any event of default notice being given to the Company by any Bondholder as set out in the terms and conditions of the Bonds, the Bonds become immediately due and repayable immediately at their principal amount together with premium (if any) and interest accrued.

Any one or more Bondholders holding not less than 25% in aggregate principal amount of the Bonds then outstanding, or any Bondholder so directed by an Ordinary Resolution may give notice to the Company that the Bonds are immediately due and repayable if:

- (1) Payment default: a default is made in the payment of principal, premium (if any) or interest due on the Bonds when due and such default shall not have been cured by payment by the Company within 1 day after the due date; or

LETTER FROM THE BOARD

- (2) Failure to allot, issue or deliver Shares upon Conversion or failure to settle Cash Settlement Option: a default is made in the allotment, issuance or delivery of the Conversion Shares upon conversion of the Bonds in accordance with condition 5 of the Bond or failure to make any cash settlement payment upon a Bondholder having exercised the Cash Settlement Option; or
- (3) Other default: a breach or default is made by the Company or any of its Subsidiaries in the performance or observance of any covenant, condition or provision or misrepresentation contained in the Instrument or in the Bonds or in any Transaction Documents and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the Bonds under sub-paragraph (1) above, or the covenant to allot, issue or deliver Shares under sub-paragraph (2) above); or
- (4) Breach of Subscription Agreement: a breach of any of the terms of the Subscription Agreement, including a breach of any representations, warranties, covenants or undertakings therein which is not discovered until after the issue and delivery of the Bonds; or
- (5) Cross-Default: (a)(i) any other present or future indebtedness of any of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargors or their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (b) any of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargors or their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this sub-paragraph (5) have occurred equals or exceeds HK\$10,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the HK dollars as quoted by any leading bank selected by the Bondholder in its sole discretion on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or

LETTER FROM THE BOARD

- (6) Default under Security Documents: any of the Company, the Subsidiary Guarantors or the Subsidiary Guarantor Chargors defaults in the performance of any of its obligations under any of the Transaction Documents; or
- (7) Encumbrances: an Encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company and its Subsidiaries; or
- (8) Distress: a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of any of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargor or any of their respective Subsidiaries and is not discharged within seven days thereof; or
- (9) Illegality: it is, is claimed to be, or will become unlawful for any of the Company or, as the case may be, Subsidiary Guarantors or Subsidiary Guarantor Chargors or their respective Subsidiaries to perform or comply with any one or more of their respective obligations under any of the Transaction Documents; or
- (10) Unenforceability of Transaction Documents: any of the Transaction Documents becomes unenforceable, invalid, not binding or shall for any reason cease to be in full force and effect with respect to any of the Company the Subsidiary Guarantors, the Subsidiary Guarantor Chargors or any of their respective Subsidiaries or is claimed to be unenforceable, invalid, not binding or not in full force and effect by any of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargors and any of their respective Subsidiaries, or that the enforceability of the Transaction Documents, or the Bondholder's first priority under any Security Documents, ceases or is otherwise affected in any respect; or
- (11) Nationalisation or Compulsory Acquisition: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargors and any of their respective Subsidiaries; or

LETTER FROM THE BOARD

- (12) Authorization and Consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company or any Subsidiary Guarantors or Subsidiary Guarantor Chargors or any of their respective Subsidiaries to enter into, exercise their respective rights and perform and comply with their respective obligations under the Instrument, the Bond or any other Transaction Documents, or (b) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done; or
- (13) Trading suspension and delisting: if the Shares are suspended by the Stock Exchange for a period of 45 consecutive Trading Days or listing of the Shares on the Stock Exchange have been cancelled, revoked or withdrawn; or
- (14) Insufficient share capital: the maximum number of Shares which the Company may issue under its memorandum of association and articles of association is not a sufficient for the fulfilment of the obligations regarding the conversion of the Bonds; or
- (15) Change of control: (a) any person or persons acting in concert (within the meaning of the Takeovers Code) together acquires Control, directly or indirectly, of the Company provided that such person or persons does not or do not have, and would not be deemed to have, control of the Company on the Issue Date; or (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons acting in concert (within the meaning of the Takeovers Code), unless such consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity; or
- (16) Cessation of business: the Company or the Group as a whole suspends or is restrained from conducting all or any material parts of its existing business or threatens to suspend cease to conduct its existing business for more than 15 days, or otherwise cease to continue its business operation at a level or scale similar to that being conducted as of the Issue Date; or

LETTER FROM THE BOARD

- (17) Material adverse effect: any change, or any development or event involving or likely to involve a prospective change, which (a) has or may have material and adverse effect on the condition (financial, operational or otherwise), prospects, results of operations, earnings, business affairs, profitability, shareholder's equity, assets or liabilities, business, properties or general affairs of the Company or any members of the Group (including its Subsidiaries) or any of their respective securities; (b) has or may have adverse affect the ability of the Company or any members of the Group to perform their respective obligations under any of the Transaction Documents; or (c) are otherwise material in the context of any of the Transaction Documents (including repayment of the Bonds) or issue of the Conversion Shares, in each case, whether or not arising in the ordinary course of business; or
- (18) Unsatisfied judgment: any adverse judgment is rendered by a court or courts against any of the Company, the Subsidiary Guarantors, the Subsidiary Guarantor Chargors and any of their respective Subsidiaries and remains unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period in excess of 30 days from the date of judgment; or
- (19) Insolvency: the Company or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement (owing to its inability to pay such debts when due) for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company or any of its Subsidiaries or an administrator or liquidator of the Company, or any of its Subsidiaries or the whole or a material part of the assets and revenue of the Company or any of its Subsidiaries is appointed (or application for any such appointment is made); or

LETTER FROM THE BOARD

- (20) Winding-up: an order is made or a resolution is passed for the winding-up or dissolution, judicial management or administration of the Company, any Subsidiary Guarantors, Subsidiary Guarantor Chargors or any of their respective Subsidiaries, or the Company, any Subsidiary Guarantor, Subsidiary Guarantor Chargors or any of their respective Subsidiaries disposes of all or substantially all of its assets, or the Company, any Subsidiary Guarantor, Subsidiary Guarantor Chargors or any of their respective Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution; or
- (21) Repudiation: the Company or any Subsidiary Guarantor, Subsidiary Guarantor Chargor or any of their respective Subsidiaries repudiates, denies or disaffirms (or there being evidence of such intention to repudiate, deny or disaffirm) any of its obligations under any of the Transaction Documents; or
- (22) Analogous events: any event occurs which under the Laws of any relevant jurisdiction has an analogous effect to any of the events referred to above.

- Extract of certain : (a) the Company will notify the Bondholder in writing
other undertakings immediately upon becoming aware of the occurrence of any event of default;
- (b) the Company shall at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with; and
 - (c) the Company shall ensure that such number of Shares as would enable the Conversion Rights and all other rights of conversion into, subscription for or exchange into, Shares exercisable at that time to be satisfied in full are within the maximum number of Shares the Company may issue under its memorandum and articles of association, and free from pre-emptive rights.

LETTER FROM THE BOARD

Conversion Price:

The initial Conversion Price of HK\$0.90 per Conversion Share represents:

- (1) a premium of approximately 0.00% over the closing price of HK\$0.90 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 1.35% over the average closing price of HK\$0.888 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day; and
- (3) a premium of approximately 1.24% over the average closing price of HK\$0.889 per Share as quoted on the Stock Exchange for the last ten trading days immediately to and including the Last Trading Day.
- (4) a premium of approximately 18.42% over the closing price of HK\$0.760 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Latest Practicable Date;
- (5) a premium of approximately 17.49% over the average closing price of HK\$0.766 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Latest Practicable Date; and
- (6) a premium of approximately 18.73% over the average closing price of HK\$0.758 per Share as quoted on the Stock Exchange for the last ten trading days immediately to and including the Latest Practicable Date.

With reference to the coking coal market, the prolonged losses suffered by the Company during the preceding years, the relatively short period after the completion of the Restructuring, the limited ability for the Company to obtain bank loans and additional financing from the capital market, the significant increase in utilisation of certain of the Group's coal processing factories and logistics facilities, the volatile historical market price of the Shares over the past 12 months and the historical trading liquidity of the Shares, the initial Conversion Price and interest rate were results of commercial negotiations between the Company and the Subscriber at arm's-length taking into consideration of factors such as (i) market precedents of comparable fund-raising activities in similar industry and with similar financial conditions; (ii) the proposed terms that the Company received from other potential investors, who are reputable funds and investment companies, which were less favourable than the terms of the Subscription Agreement, particularly in relation to the initial conversion price and the minimum conversion price.

In the course of analysing market precedents of comparable fundraising activities, the Company has referred to 27 listed companies on the main board and the growth enterprise market of the Stock Exchange with the similar business nature (including energy related and trading of commodities) with the Company, that has issued convertible bonds in the past two years. The Company selected four companies based on the size of the market capitalisation of between approximately HK\$1 billion and approximately HK\$4 billion, and either issued profit warnings within three months of the first announcement in connection with the convertible bonds or had a debt restructuring in the past year. The proposed terms that the Company

LETTER FROM THE BOARD

received from other potential investors which were less favourable than the terms of the Subscription Agreement mostly had a shorter tenor, higher coupon rate or a higher conversion price discount to the closing price of the respective company's shares at the relevant last trading day.

The terms in relation to the adjustment to the Conversion Price (including the adjustment mechanism and floor price) were adopted after arm's-length negotiation to provide some assurance to the Subscriber given the Company's volatility in share price in light of a degree of uncertainty regarding the sustainability of the Company's recent return to profitability following a prolonged period of losses in the recent prior years.

The internal rate of return of 10% and was determined following the arm's-length negotiations between the parties which were shaped by, on the Company's side (i) the Company's confidence in the performance of its share price; and, on the Subscriber's side (ii) the Subscriber's requirement for a higher return to justify its investment in the Company. With respect to the Cash Settlement Option, it was also arrived following the arm's-length negotiation between the parties taking into account of the Subscriber's requirement for higher return, and also it could reduce the dilutive effect to the Shareholders at that time in the event of exercising the Cash Settlement Option.

The Directors consider the initial Conversion Price and the terms and conditions of the Subscription Agreement and the Bonds (including the interest rate of 5% p.a., the internal rate of return of 10% in the Redemption Amount, the downward adjustment of the Conversion Price on the first and second anniversary and the Cash Settlement Option) are fair and reasonable based on the current market conditions and in the interest of the Company and Shareholders as a whole.

PRINCIPAL TERMS OF THE WARRANTS

The principal terms of the Warrants to be issued by the Company and subscribed by the Subscriber are summarised below:

Number of Warrants : 118,060,606 Warrants.

Warrant Subscription Period : Any time from the Issue Date and up to the close of business on the fifth anniversary after the Issue Date. Warrants which have not been exercised before the expiry of the Subscription Period shall lapse and thereupon the Warrants and the certificates shall cease to be valid for any purpose whatsoever.

Warrant Subscription Price : The initial Warrant Subscription Price per Share shall be HK\$0.99, subject to adjustments in the manner provided in the Warrant Instrument.

LETTER FROM THE BOARD

Aggregate amount : approximately HK\$116.88 million
payable on the
subscription of the
Warrants at the
initial Warrant
Subscription Price

Subscription Rights : Subject to the terms and conditions as provided in the Warrant Instrument, a Warrantholder shall have the right to subscribe in cash by way of exercise of one or more Warrants at any time during the Subscription Period at the Warrant Subscription Price in the manner under the Warrant Instrument, for one fully-paid and non-assessable Warrant Share in respect of each Warrant so exercised.

Cashless Exercise : A Warrantholder may, at its sole discretion, exercise the Warrant Subscription Right in respect of one or more Warrants and, in lieu of making the payment of the Warrant Subscription Price to the Company, elect to instead receive upon such exercise the number of Shares to be allotted and issued calculated as a result of the difference between VWAP for 3 consecutive Trading Days immediately before the exercise and the Warrant Subscription Price multiplied by the number of new Shares to be allotted and issued upon exercise of the Warrant Subscription Rights and divided by such VWAP.

Notwithstanding the above, the Company may elect to pay cash, in the amount that calculated as a result of the difference between the VWAP for 3 consecutive Trading Days immediately before the exercise and the Warrant Subscription Price multiplied by the number of new Shares to be allotted and issued upon exercise of the Warrant Subscription Rights, within five Business Days from the date of relevant subscription form instead of allotment and issue of the abovementioned Shares to a Warrantholder who has exercised the cashless exercise.

Ranking : all Warrant Shares to be issued and allotted pursuant to an exercise of the Warrant Subscription Rights shall rank pari passu and carry the same rights and privilege in all respects with the fully paid Shares in issue on the relevant registration date entitle the holders to participate in full in all dividends or other distributions, provided that the Warrantholder shall not knowingly transfer the Warrant Shares to a Direct Competitor subject to certain exceptions as provided in the Warrant Instrument.

LETTER FROM THE BOARD

Transferability : Subject to the terms below, the Warrants are freely transferrable. Unless with the prior consent of the Company, the Warrants may not be knowingly transferred to any entities which is a Direct Competitor to the Company, provided that this restriction will not apply to any general offer to all or substantially all shareholders of the Company made by a Direct Competitor, or any sales or placement made through an agent or broker in which a Warrantholder does not have knowledge of the ultimate purchaser or through market matching facilities of the relevant securities exchange or settlement platform, or upon any failure by the Company or its Subsidiaries to perform any of its obligations under the Transaction Documents (including without limitation, upon occurrence of any Event of Default (having the meaning ascribed to it under the Bonds)).

Adjustment of Warrant : The Subscription Price shall from time to time be adjusted upon:

Subscription Price (i) *consolidation, sub-division or reclassification Shares;*

If and whenever the Shares by reason of any consolidation, sub-division or re-classification, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

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

where:

A = the aggregate number of the issued shares immediately before such consolidation, subdivision or re-classification; and

B = the aggregate number of the issued shares immediately after to such consolidation, subdivision or re-classification.

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

LETTER FROM THE BOARD

(ii) issue of Shares by way of capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund) (except any Scrip Dividend which adjustment to the Subscription Price shall be made in accordance with sub-paragraph (iii) below), the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the aggregate number of the issued Shares immediately before such issue; and

B = the aggregate number of the issued Shares after such issue.

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

(iii) the issue of Shares by way of scrip dividend in lieu of cash;

In the case of an issue of Shares by way of a Scrip Dividend where the Market Price determined based on the date on which the terms of such Scrip Dividend is publicly announced multiplied by the number of Shares issued exceeds the amount of Relevant Cash Dividend or the relevant part thereof and which would not have constitute a Capital Distribution, the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the aggregate number of the issued Shares immediately before such issue;

LETTER FROM THE BOARD

- B = the aggregate number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend in respect of each existing Share, and (ii) the denominator is the Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part of, the Relevant Cash Dividend; and
- C = the aggregate number of Shares issued by way of such Scrip Dividend,

or by making such other adjustment as an Approved Merchant Bank shall certify to the Majority Warrantholder is fair and reasonable.

For the purpose of this sub-paragraph (iii),

“**Scrip Dividend**” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, to the extent that an adjustment is made under sub-paragraph (iv) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under this sub-paragraph (iii)); and

“**Relevant Cash Dividend**” means the aggregate cash dividend or distribution declared by the Company, which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend.

Each such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed for the Scrip Dividend, immediately after such record date.

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(iv) *capital distribution;*

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

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

where:

A = the Market Price determined based on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the day immediately before the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the day immediately before, as determined in good faith by an Approved Merchant Bank or the auditors, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

provided that:

- (a) if in the opinion of the relevant Approved Merchant Bank or the auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said Market Price which should properly be attributed to the value of the Capital Distribution or the rights; and
- (b) the provisions of this sub-paragraph (iv) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

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- (v) *rights issues of Shares or options or warrants over Shares less than the market price of the Shares determined at the date of announcement of the terms of the offer or grant;*

If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants or other rights to subscribe for new Shares by way of rights, at a price which is less than the Market Price determined based on the date of the announcement of the terms of the offer or grant, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement, or (failing such announcement) the day immediately before such offer or grant;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at the Market Price; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants

Each such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant, provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Warrantholder (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the Laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Subscription Rights under the Warrants in full on the day immediately preceding the record date for such offer or grant and such offer or grant is accepted by the Warrantholder.

LETTER FROM THE BOARD

- (vi) *issue of any securities (other than Shares, options or warrants or other rights to subscribe for Shares) to all or substantially all Shareholders;*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue or grant by the following fraction:

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

where:

A = the Market Price determined based on the date of such announcement, or (failing such announcement) the day immediately before such issue or grant; and

B = the fair market value of such issue or grant on a per Share basis on the date of such announcement, or (failing such announcement) the day immediately before such issue or grant, as determined in good faith by an Approved Merchant Bank or the auditors

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first day on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

LETTER FROM THE BOARD

(vii) issue of Shares at a price per Shares less than 95% of the market price of the Shares at the date of issue of such security;

If and whenever the Company shall issue any Shares (other than covered by sub-paragraph (v) above) at a price per Share which is less than 95 per cent. of the Market Price determined based on the date of the announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement, or (failing such announcement) the day immediately before such issue;

B = the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at the Market Price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

LETTER FROM THE BOARD

(viii) issue of any securities or grant of rights, options or warrants by the Company or any of its Subsidiaries which terms of issue rights of conversion into, or exchange or subscription for or acquisition of, Shares to be issued by the Company upon conversion, exchange or subscription at a total effective consideration per Share initially receivable for such securities which is less than 95% of the market price determined based on the date of the announcement of the terms of issue of such securities;

If and whenever the Company or any of its Subsidiaries shall issue any securities or grant any rights, options, warrants or other rights (other than covered by sub-paragraphs (v) and (xi) above) which by their terms of issue carry rights of conversion into, or exchange or subscription for or acquisition of, Shares to be issued by the Company upon conversion, exchange or subscription at a Total Effective Consideration (as defined below) per Share initially receivable for such securities which is less than 95 per cent. of the Market Price determined based on the date of the announcement of the terms of issue of such securities, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the Total Effective Consideration receivable for the securities issued would purchase at the Market Price; and

C = the maximum number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription or acquisition rights conferred by, such securities at the initial conversion or exchange rate or subscription or acquisition price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day immediately before whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription or acquisition price.

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

- (ix) *modification of rights of conversion, exchange or subscription attaching to the securities in (viii) above so that the consideration per Share is reduced and is less than 95% of the market price of the Shares as at the date of announcement of the proposals of such modification; and*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to securities as are mentioned in sub-paragraph (viii) above (other than in accordance with the terms of those securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Market Price determined based on the date of announcement of the proposals for such modification, the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the Market Price per Share determined based on the date on which such modification is announced; and

LETTER FROM THE BOARD

B = the difference between (i) the fair market value of the modification on a per Share basis on the date of such announcement, or (failing such announcement), the day immediately before such modification, as determined in good faith by an Approved Merchant Bank or the auditors, and (ii) the consideration received for such modification on a per Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion exchange or subscription attaching to such securities.

(x) *issue, sell or distribute any securities in connection with an offer.*

If and whenever the Company or any of its Subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Subscription Price falls to adjusted under other event of these adjustment events), the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

A = the Market Price per Share determined based on the date on which such issue, sale or distribution is announced; and

B = the fair market value of such portion of rights attributable to a Share on the date of such announcement, as determined in good faith by an Approved Merchant Bank or the auditors.

Such adjustment shall become effective on the date of modification of the rights of conversion exchange or subscription attaching to such securities.

LETTER FROM THE BOARD

For the purposes of these adjustment events:

“announcement” shall mean an announcement published on the Stock Exchange’s website and **“date of announcement”** shall mean the date printed on the announcement as being its date of publication and **“announced”** shall be construed accordingly;

“auditors” means the auditors of the Company from time to time;

“Capital Distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or in specie but excludes a Scrip Dividend adjusted for under sub-paragraph (iii) above. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for the year ended 31 December 2016 as shown in the published audited consolidated profit and loss accounts of the Company for that financial period;

“issue” shall include allot;

“reserves” includes unappropriated profits;

“rights” includes rights in whatsoever form issued; and

“Shares” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (iii) to (v) of these adjustment events, any such ordinary shares of the Company as, when fully paid, shall be Shares.

LETTER FROM THE BOARD

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|--|--|
| Purchase of Warrants | : At any time prior to any exercise of the Warrant Subscription Rights and prior to the expiry of the Subscription Period, any Warrantholder proposing to transfer any Warrants held by it to any party who is not an Affiliate of the Warrantholder, shall serve an Offer Notice to the Company setting out (a) the number Offered Warrants and (b) the Offer Price. The Company may, within two Business Days from the date of the Offer Notice, elect through an Acceptance Notice to the transferring Warrantholder of its intention to purchase all (but not part) of the Offered Warrants at the Offer Price, and shall complete the payment of the aggregate Offer Price to the transferring Warrantholder in cash. Any Acceptance Notice shall be irrevocable. Upon receiving payment of the aggregate Offer Price, the transferring Warrantholder shall return the Certificate representing the Offered Warrants and the Warrants and the Certificates in respect thereof shall be cancelled forthwith. If the Company does not elect to purchase all of the Offered Warrants or otherwise fails to respond to the Offer Notice or complete the payment of the Offer Price and the transfer of the Offered Warrants within the Acceptance Period, the transferring Warrantholder may transfer the Offered Warrants for not less than the Offer Price or otherwise on substantially the same terms and conditions set forth in the Offer Notice. |
| Shareholding in the Company | : So long as any of the Warrants remains outstanding, Ms. Wang, together with her immediate family members (as defined in Chapter 14A of the Listing Rules, which include Mr. Wang Xingchun (王興春)) or through their wholly-owned companies (directly or indirectly), shall at all times remain the single largest shareholder of the Company. |
| Limitation on business activities of the Group | : So long as any of the Warrants remains outstanding, the Company and its Subsidiaries shall not, except prior approved by the Warrantholders representing no less than 75% of the aggregate number of the Warrants then unexercised or pursuant to the Transaction Documents: <ul style="list-style-type: none"> (a) dispose of any of its shareholding, equities or other interests in any of their respective Subsidiaries that would be expected to materially and adversely affect the ability of the Company to fulfill its obligations under the Warrants, or the interests of the Warrantholders, would have a material adverse effect on the business operations of the Group; (b) conduct any transaction with any affiliates unless the same is <ul style="list-style-type: none"> (i) in its ordinary course of business and (ii) negotiated and entered into by the parties on an arm's-length basis; |

LETTER FROM THE BOARD

- (c) make any redemption of share capital, share premium account or capital redemption reserve involving any repayment to its shareholders, whether in cash or in specie or otherwise;
- (d) subordinate any right to the Warrants;
- (e) take any action or fail to take any action, if such action or failure to take any action may interfere with the enforcement of any rights under the Warrants, any Transaction Documents or with respect to the property or assets subject to the security in any manner which could materially and adversely affect the interests of the Warrantholders; or
- (f) amend or alter any of the provisions of its constitutional documents.

The Company will not, and will not permit any Subsidiary to, directly or indirectly, engage in any business other than any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Subsidiaries on the Issue Date, and which includes primarily the business of processing and trading of coking coal and other products and rendering of logistics services.

Listing : No application has been or will be made for the listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Warrant Shares.

Prior to the subscription of the Warrant Shares, the holders have no rights to any securities of the Company on the liquidation of the Company, and are not entitled to participate in any distributions and/or offers of further securities made by the Company in the capacity as an existing Shareholder.

The initial Warrant Subscription Price of HK\$0.99 per Warrant Share, represents:

- (1) a premium of 10% over the closing price of HK\$0.90 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 11.49% over the average closing price of HK\$0.888 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day; and
- (3) a premium of approximately 11.36% over the average closing price of HK\$0.889 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day.

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- (4) a premium of 30.26% over the closing price of HK\$0.760 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Latest Practicable Date;
- (5) a premium of approximately 29.24% over the average closing price of HK\$0.766 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Latest Practicable Date; and
- (6) a premium of approximately 30.61% over the average closing price of HK\$0.758 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Latest Practicable Date.

As a part of the transactions contemplated under the Subscription Agreement, the initial Warrant Subscription Price and the adjustments (including the adjustment mechanism and the cashless exercise of the Warrants) and the relevant premiums over the price on the Last Trading Day were arrived at after arm's-length negotiations between the Company and the Subscriber with reference to the prevailing market prices of the Shares as shown above determined in the context of (i) the volatile historical market price of the Shares over the past 12 months, (ii) the historical trading liquidity of the Shares, (iii) the future performance of the the Company's share price, and (iv) the willingness of the Warrantholder to make additional payment. Based on the above and taking into account the reasons for and the benefits from the issue of Warrants as referred to in the paragraph headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION", the Directors consider that the initial Warrant Subscription Price and the terms and conditions of the Subscription Agreement and the Warrants (including the adjustments of the Warrant Subscription Price, the cashless exercise, and payment) are fair and reasonable based on the current market conditions and in the interests of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge, the Directors are not aware of any contemplated acquisitions, disposals or other matters during the exercise period of the Warrants that may have a material impact on the Company which is necessary for the Company's Shareholders and the public to appraise the position of the Company.

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES AND WARRANT SHARES

The Conversion Shares to be issued upon exercise of the Conversion Rights and the Warrant Shares to be issued upon exercise of the Warrant Subscription Rights will be issued and allotted pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

INFORMATION ABOUT THE GROUP

General

The principal business of the Company is investment holding. The Group is principally engaged in supplying coking coal into the PRC and providing services to its suppliers and customers through its integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capabilities.

LETTER FROM THE BOARD

USE OF PROCEEDS FROM THE SUBSCRIPTION

The gross proceeds from the Subscription will be US\$40 million, equivalent to approximately HK\$311.68 million. The net proceeds from the Subscription after the deduction of related expenses, are estimated to be approximately HK\$306 million, which will be used solely for general corporate purposes, debt refinancing and/or business development of the Company including (i) approximately HK\$100 million in the maintenance and upgrading of its current logistics and processing facilities, (ii) approximately HK\$50 million for the increasing working capital needs for the supply chain services provided for the coal sector, (iii) approximately HK\$150 million in the working capital for services and trading of commodities other than coal such as oil and petrochemicals and iron ore business which are not at material scale now, and (iv) other activities within the normal course of the Company's business.

The net price per Conversion Share to be issued is approximately HK\$0.886.

Assuming the full exercise of the subscription rights attaching to the Warrants at the initial Warrant Subscription Price, it is expected that an additional gross amount of US\$15 million will be raised. The net proceeds (after deduction of all related expenses) of approximately US\$15 million will be used as the general corporate purposes, debt refinancing and/or business development of the Company in accordance with the capital requirement of the Company at the time of Warrants being exercised.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is of the view that the coking coal trading, logistics and supply chain market in China has significant room for growth. In addressing the Company's increased need in funding, the Directors explored and considered various alternative fund raising methods prior to settling on the Bonds and the Warrants. In the course of discussion with banks and potential investors, due to the macro-economic environment of the coking coal industry and the requirement where the Company is expected to provide further demonstration of the Company's recovery and stability in operations profitability, the costs of the proposed financing were generally high, and the overall proposed terms were not as favourable to the Company as those agreed in the Subscription Agreement. The Company has also considered pre-emptive issue of securities through approaching certain Shareholders for support. Since the Company has just completed the Rights Issue in June 2016 and also an issuance of CVR with shares issuance as settlement, the Shareholders needs more time to consider another round of rights issue.

The Board believes that the raising of funds by the issue of Bonds is to the benefit of the Group taking into account the significance of the demonstration of confidence of the Subscriber and is an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for future development without immediate dilution effect on the shareholding of the existing Shareholders. Upon the Company's issue of the Bonds, and prior to cash settlement and/or the redemption of the Bonds, the Company will have access to the US\$40 million cash for general working purposes, debt refinancing and/or business development needs of the Company. As the Company recovers from its Restructuring last year, given the improvement of the Company's financial condition, the Directors are of the

LETTER FROM THE BOARD

view that the further financing will be easier and cheaper to obtain in due course, and that the successful issue of the Bonds would allow the Company to regain the recognition and confidence from both investors and creditors.

Although the Warrants, if viewed on a stand alone basis, are issued for no additional proceeds, they are in fact issued as an integral package with the Bonds. An investor for convertible bonds could request to fix the initial conversion price at a discount of the share price. The Subscriber also sought a discount on the conversion price initially. As a part of the transaction of issuing the Bonds, given the Company is confident in the future performance of its share price, it has succeeded, through the process of negotiation, in securing agreement to issue the Bonds with the Conversion Price without discount to the Company's share price on the Last Trading Day. However, this was obtained with a concession to issue the Warrants on the terms as set out in this circular, which may be viewed as, in effect from a commercial perspective in exchange for the higher initial Conversion Price. Based on the preliminary indicative valuation of both the Bonds and the Warrants prepared by an independent valuer prior to the signing of the Subscription Agreement, the Bonds and Warrants being issued for US\$40 million consideration as an integral package, is issued at a discount over their aggregate value, which is also a discount in line and comparable with the conversion price discount of some other convertible bonds issued by other Hong Kong listed issuers which are also engaged in, among others, commodities trading and have experienced debt restructuring or profit warning as referred to by the Company. As the issue of Warrants has the additional attraction of potentially more proceeds, the terms of the Subscription Agreement and the integral package of the Bonds and the Warrants are considered fair and reasonable as a whole. Accordingly, the investment is made by the Subscriber for the Bonds and Warrants as a package in the transaction contemplated under the Subscription Agreement. The issue of the Warrants represents an opportunity to raise funds for the Company. In particular, (i) the Warrants are not interest-bearing; (ii) if the Warrants are exercised, further funds will be raised for general working capital; (iii) there is no immediate dilutive effect on the shareholding of the existing Shareholders; (iv) the Warrant Subscription Price is at a premium over the market price of the Shares on the Last Trading Day; and (v) if the Warrant Subscription Rights attaching to the Warrants are exercised, it will benefit the long-term business development of the Group by broadening the capital base of the Company.

Due to the breadth of the current scope of Company's business activities, the current limitation on the business activities of the Company is not expected to have any material adverse impact to the Company. The Company's current expansion plans in business operations still falls under the current scope of business activities and are not expected to be affected by the Bonds and Warrants.

Accordingly, having considered that the terms of the Subscription Agreement (including the Conversion Price and Warrant Subscription Price and the respective adjustments, the limitation of business activities of the Company) are on normal commercial terms or better following arm's-length negotiations between the Company and the Subscriber and are fair and reasonable, the Directors (including the independent non-executive Directors) believe that the Subscription Agreement and the Subscription is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ABOUT THE SUBSCRIBER

The Subscriber is wholly-owned by Pacific Alliance Asia Opportunity Fund L.P. and PAG-P Asia Fund L.P., two funds managed by PAG. PAG (formerly Pacific Alliance Group) is an Asia-focused independent alternative investment management group across private equity, real estate and absolute returns.

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 3,157,298,356 Shares in issue. Set out below is a breakdown of the shareholding interests in the Company of the Shareholders as at (i) the Latest Practicable Date; (ii) immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights are exercised in full and assuming Warrant Subscription Rights are not exercised; (iii) immediately after the completion of the issue of the Warrant Shares assuming the Warrants Subscription Rights are exercised in full and assuming the Conversion Rights are not exercised; and (iv) immediately after the completion of the issue of the Warrant Shares assuming the Warrants Subscription Rights are exercised in full and assuming the Conversion Rights are exercised in full are as follows (assuming no other change in the issued shares capital of the Company):

	As of the Latest Practicable Date		Immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights are exercised in full at the initial Conversion Price of HK\$0.90 (assuming the Warrant Subscription Rights are not exercised)		Immediately after the completion of the issue of Warrant Shares at the initial Warrant Subscription Price of HK\$0.99 (assuming the Conversion Rights are not exercised)		Immediately after the completion of the issue of the Conversion Shares assuming the Conversion Rights are exercised in full at the initial Conversion Price of HK\$0.90 and the Warrant Shares at the initial Warrant Subscription Price of HK\$0.99	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
	(Note 8)							
Substantial Shareholders								
Ms. Wang (Note 2)	1,500,080,608(L)	47.51%	1,500,080,608(L)	42.82%	1,500,080,608(L)	45.80%	1,500,080,608(L)	41.43%
Famous Speech Limited	1,500,080,608(L)	47.51%	1,500,080,608(L)	42.82%	1,500,080,608(L)	45.80%	1,500,080,608(L)	41.43%
Wang Xingchun (Note 3) (Note 4)	1,575,993,113(L)	49.92%	1,575,993,113(L)	44.99%	1,575,993,113(L)	48.12%	1,575,993,113(L)	43.52%
Winsway Group Holdings (Note 3) (Note 5)	1,575,993,113(L)	49.92%	1,575,993,113(L)	44.99%	1,575,993,113	48.12%	1,575,993,113(L)	43.52%
Winsway Resource Holdings (Note 3) (Note 4)	1,565,587,792(L)	49.59%	1,565,587,792(L)	44.69%	1,565,587,792	47.80%	1,565,587,792(L)	43.23%
Great Start (Note 3) (Note 4)	1,510,485,929(L)	47.84%	1,510,485,929(L)	43.12%	1,510,485,929	46.12%	1,510,485,929(L)	41.71%
Winsway International Petroleum & Chemicals (Note 3) (Note 4)	1,510,485,929(L)	47.84%	1,510,485,929(L)	43.12%	1,510,485,929	46.12%	1,510,485,929(L)	41.71%
China Minmetals Corporation (Note 6)	1,503,195,952(L)	47.61%	1,503,195,952(L)	42.91%	1,503,195,952	45.89%	1,503,195,952(L)	41.51%
Evergrowing Bank Yantai Shangkuang West Road Sub-Branch (Note 7)	1,500,080,608(L)	47.51%	1,500,080,608(L)	42.82%	1,500,080,608	45.80%	1,500,080,608(L)	41.43%
Magnificent Gardenia Limited (Note 6)	1,500,080,608(L)	47.51%	1,500,080,608(L)	42.82%	1,500,080,608	45.80%	1,500,080,608(L)	41.43%
Bondholder(s) and Warranholder(s)	0	0.00%	345,777,777	9.87%	118,060,606	3.60%	463,838,383	12.81%
Core Connected Person(s)	68,470	0.00%	68,470	0.00%	68,470	0.00%	68,470	0.00%
Public Shareholders	1,581,236,773	50.08%	1,581,236,773	45.14%	1,581,236,773	48.28%	1,581,236,773	43.67%
Total	3,157,298,356	100.00%	3,503,076,133	100.00%	3,275,358,962	100.00%	3,621,136,739	100.00%

LETTER FROM THE BOARD

Notes:

1. The letter “L” denotes the person’s long position in such securities.
2. Ms. Wang directly controls Famous Speech Limited (“**Famous Speech**”) and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech.
3. Mr. Wang’s Group and Famous Speech have entered into an agreement which is covered by s.317 and s.318 of SFO and each of Mr. Wang’s Group is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.
4. Mr. Wang Xingchun indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 10,405,321 Shares and 65,507,184 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.
5. Winsway Group Holdings indirectly holds, through Great Start Development Limited (“**Great Start**”), the entire issued share capital of Winsway International Petroleum & Chemicals and directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 10,405,321 Shares and 65,507,184 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. Mr. Wang Xingchun is the sole director of Winsway Group Holdings.
6. China Minmetals Corporation (“**China Minmetals**”) is deemed to be interested in 1,503,195,952 Shares. 3,115,344 of such Shares are held by certain other companies that are controlled directly or indirectly by China Minmetals, and China Minmetals is deemed to be interested in another 1,500,080,608 Shares because Magnificent Gardenia Limited, a corporation controlled by it, entered into an agreement which is covered by s.317 and s.318 and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.
7. Pursuant to a share pledge agreement dated 15 June 2016 entered into between Famous Speech and Evergrowing Bank Yantai Shangkuang West Road Sub-branch (“**Evergrowing Bank**”), Famous Speech agreed to pledge all the Shares it acquired or to be acquired in favour of Evergrowing Bank as security for a term loan to be provided by an offshore bank to Famous Speech for the purpose of underwriting the Rights Issue.
8. The percentage shareholding of the Company is calculated on the basis of 3,157,298,356 Shares in issue, as at the Latest Practicable Date, as the denominator and the number of Shares that each substantial shareholder is interested in as the numerator.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of first announcement	Event	Net proceeds and intended use	Actual use of proceeds
13 March 2016	Rights Issue	The gross proceeds from the Rights Issue approximately US\$50 million (approximately HK\$387.5 million), in aggregate, of which the entire amount will be used to pay the cash consideration of approximately US\$41.7 million (approximately HK\$323.2 million) to bondholders in a debt restructuring, a consent fee of approximately US\$6.8 million (approximately HK\$52.7 million) under the Restructuring Support Agreement and a success fee to Houlihan Lokey.	All being used as intended, that is, to repay the cash consideration to the bondholders in the debt restructuring, the consent fee under the Restructuring Support Agreement and the success fee to Houlihan Lokey.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

The proceeds from the Bonds and Warrants are expected to be able to satisfy the Company's expected funding needs pursuant to the Company's annual budget for the next 12 months and the Company currently does not have any plans for further equity fund raising in the near future. The Company will continue to, from time to time, look for investment opportunities to maximise its profits and to bring value to its Shareholders. If any suitable opportunities arise and further external financing is needed, the Company may raise funds through equity financing. If the Company decides to conduct further equity financing activities, the Company shall use its best endeavours to comply with all applicable Listing Rules and all applicable laws and regulations in respect of such financing activities.

LISTING RULES IMPLICATIONS

Pursuant to Rule 15.02(1) of the Listing Rules, the Conversion Shares to be issued on the exercise of the Bonds, Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the total number of Shares in issue at the time the Bonds and Warrants are issued.

As at the Latest Practicable Date, the Company does not have any securities with subscription rights other than restricted share unit awards granted under the restricted share unit scheme adopted by the Company that are outstanding and not yet exercised. As disclosed above, assuming full exercise of the Warrant Subscription Rights attaching to the Warrants, a maximum number of 118,060,606 Shares would be issued, which would represent (i) approximately 3.74% of the issued share capital of the Company as at the Latest Practicable

LETTER FROM THE BOARD

Date; (ii) approximately 3.60% of the issued share capital of the Company as enlarged by the issue and allotment of all such the Warrant Shares to be issued and allotted upon the exercise of all Warrant Subscription Rights; and (iii) approximately 3.26% of the issued share capital of the Company and as enlarged by this issue and allotment of all Conversion Shares and Warrant Shares, respectively. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

The Bonds and Warrants are transferrable to Directors, senior executives, employees and any connected persons of the Company, subject to the provisions in relation to Direct Competitors as set out in pages 17 and 39 of this circular, respectively, and purchase of warrants as set out in page 50 of this circular. If applicable at the time of transfer, the Company will comply with the requirements in relation to connected transactions under Chapter 14A and options over new Shares under Chapter 17 of the Listing Rules.

WARNING: As the Subscription may or may not proceed, and the Bonds, the Conversion Shares, the Warrants and/or the Warrant Shares may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Subscription

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of Bonds convertible into Conversion Shares and the issue of Warrant Shares are subject to approval by the Shareholders. The EGM will be held for the purpose of, among other matters, considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the Bonds and the Warrants and the Specific Mandate. The notice of the EGM of the Company is set out on pages N-1 to N-3 of this circular.

To the best knowledge of the Company having made all reasonable enquiries, none of our substantial Shareholders has entered, or contemplated to enter into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with the Subscriber and their associates which will confer any of our substantial Shareholders a benefit (whether economic or otherwise) not available to the other Shareholders of the Company. As at the Latest Practicable Date, to the extent that the Company was aware having made all reasonable enquiries, no Shareholder has any material interests in the Subscription Agreement and the transactions contemplated thereunder, the Bonds, the Warrants or the Specific Mandate, and therefore no Shareholder is required to abstain from voting on the resolution as set out in the notice of the EGM.

The notice convening the EGM proposed to be held on Monday, 24 July 2017 at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages N-1 to N-3 of this circular. At the EGM, a resolution will be proposed to the Shareholders in respect of ordinary business to be considered at the EGM, including the Subscription Agreement and the transactions contemplated thereunder, the Bonds and the Warrants and the Specific Mandate.

LETTER FROM THE BOARD

ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, as soon as possible and, in any event so as to be received not less than 48 hours before the time appointed for the holding of the EGM, completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

VOTING BY POLL

The resolution set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 24 July 2017 will be eligible to attend and vote at the EGM. The transfer books and register of members will be closed from Wednesday, 19 July 2017 to Monday, 24 July 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the EGM, all transfers accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 July 2017.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Subscription Agreement, the terms of the Bonds, the terms of the Warrants and the transactions contemplated thereunder are fair and reasonable, and that the issue of the Bonds, the issue of the Warrants, the issue and allotment of the New Shares, the grant of the Specific Mandate and the entering into of the Subscription Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolution proposed at the EGM.

By order of the Board
E-Commodities Holdings Limited
Cao Xinyi
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(formerly known as “WINSWAY ENTERPRISES HOLDINGS LIMITED 永暉實業控股股份有限公司”)

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of E-Commodities Holdings Limited (the “**Company**”) will be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 24 July 2017 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the subscription agreement dated 1 June 2017 (the “**Subscription Agreement**”, a copy of which is produced to the meeting and marked “A” and initialled by the chairman of this meeting for purpose of identification) entered into between E-Commodities Holdings Limited (the “**Company**”), Lord Central Opportunity VII Limited (the “**Subscriber**”) and the subsidiary guarantors in relation to the issue of the unlisted convertible bonds in an aggregate principal amount of US\$40,000,000 by the Company (the “**Bonds**”) and 118,060,606 unlisted warrants of the Company (the “**Warrants**”) by the Company to the Subscriber and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the creation and issue of the Bonds in accordance with the terms and conditions of the Subscription Agreement and the bond instrument (the agreed form of which is attached in the Subscription Agreement) be and are hereby approved and confirmed;
- (c) the creation and issue of the Warrants in accordance with the terms and conditions of the Subscription Agreement and the warrant instrument (the agreed form of which is attached in the Subscription Agreement) be and are hereby approved and confirmed;
- (d) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company (subject to adjustments in accordance with the terms of the Bonds) (including, for the avoidance of doubt, such additional number of shares of the Company that may be required to be issued and allotted upon the exercise of the conversion rights attached to the Bonds following

NOTICE OF EXTRAORDINARY GENERAL MEETING

adjustments to the conversion price of the Bonds) and to issue and allot such number of shares of the Company as may be required to be issued and allotted upon exercise of the conversion rights attached to the Bonds;

- (e) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company (subject to adjustments in accordance with the terms of the Warrants) (including, for the avoidance of doubt, such additional number of shares of the Company that may be required to be issued and allotted upon the exercise of the subscription rights attached to the Warrants following adjustments to the subscription price of the Warrants) and to issue and allot such number of shares of the Company as may be required to be issued and allotted upon exercise of the subscription rights attached to the Warrants; and
- (f) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient in connection with or to give effect to (1) the performance of the rights and/or obligations under the Subscription Agreement and in accordance with the terms of the Bonds and warrants; (2) the issue and allotment of the shares of the Company upon exercise of the conversion rights attached to the Bonds at the conversion price of the Bonds (subject to adjustments in accordance with the terms of the Bonds); and (3) the issue and allotment of the shares of the Company upon exercise of the subscription rights attached to the Warrants at the subscription price of the Warrants (subject to adjustments in accordance with the terms of the Warrants).

By Order of the Board
E-Commodities Holdings Limited
Cao Xinyi
Chairman and Company Secretary

Hong Kong, 6 July 2017

Principal place of business in Hong Kong
Suites 2104–05
Hutchison House
10 Harcourt Road
Hong Kong

Registered Office:
Nerine Chambers
PO Box 905
Road Town, Tortola
British Virgin Islands

Notes:

- I. Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M

NOTICE OF EXTRAORDINARY GENERAL MEETING

Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of a form of proxy will not preclude you from attending and voting in person if you are subsequently able to be present.

3. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of shareholders in respect of the joint holding.
4. The register of members of the Company will be closed from Wednesday, 19 July 2017 to Monday, 24 July 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the attendance at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 July 2017.
5. As at the date of this notice, the executive Directors of the Company are Ms. Cao Xinyi, Mr. Wang Wengang, Ms. Zhu Hongchan and Mr. Wang Yaxu, the non-executive Director of the Company is Mr. Guo Lisheng, and the independent non-executive Directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.