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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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**GreenLeader**  
**GREEN LEADER HOLDINGS GROUP LIMITED**  
**綠領控股集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 61)**

**CONNECTED TRANSACTIONS –  
PROPOSED ISSUE OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 4 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Subscription Agreements and the transactions contemplated thereunder involving issue of the Convertible Notes and the Conversion Shares under the Specific Mandate is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder involving issue of the Convertible Notes and the Conversion Shares under the Specific Mandate is set out on pages 24 to 49 of this circular.

A notice convening an SGM of the Company to be held at Units 2001-2, 20th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong on Monday, 30 July 2018 at 11:00 a.m. is set out on pages 57 to 60 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

10 July 2018

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## DEFINITIONS

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

“associates”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“China OEPC”	China OEPC Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly and wholly owned by Mr. Zhang
“Company”	Green Leader Holdings Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 61)
“Completion”	completion of the Subscriptions pursuant to the terms and conditions of the Subscription Agreements
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.33 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Notes
“Convertible Notes”	the 2-year 1.5% unlisted convertible notes in the aggregate principal amount of HK\$395,000,000 to be issued by the Company in accordance with the terms of the Subscription Agreements
“Directors”	directors of the Company
“Existing CBs”	the 5 years zero coupon convertible notes issued by the Company on 7 June 2013 with an outstanding principal amount of HK\$409,101,004 as at the Latest Practicable Date, which have become mature on 6 June 2018

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions
“Independent Shareholders”	Shareholders other than China OEPIC and its associates (as defined in the Listing Rules)
“Latest Practicable Date”	6 July 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ms. Hao”	Ms. Hao Ting, the spouse of Mr. Zhang
“Mr. Zhang”	Mr. Zhang Sanhuo, the chairman of the Board and an executive Director
“Noteholder(s)”	the holder(s) of the Convertible Notes
“Other Existing CBs”	the Existing CBs other than those held by the Subscribers, which are with an outstanding principal amount of HK\$14,101,004 as at the Latest Practicable Date
“PRC”	The People’s Republic of China

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and to be held on Monday, 30 July 2018 for the Independent Shareholders to consider and approve the Subscription Agreements and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, China OEPC and Ms. Hao
“Subscriptions”	the subscriptions for the Convertible Notes by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreement(s)”	the two conditional agreements both dated 1 June 2018 entered into between the Company and each of the Subscribers respectively in respect of the Subscriptions
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“US\$”	United States dollars, the lawful currency for the time being of the United States of America
“%”	per cent.

*In case of inconsistency, the English text of this circular shall prevail over its Chinese text.*

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## LETTER FROM THE BOARD

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**GreenLeader**  
**GREEN LEADER HOLDINGS GROUP LIMITED**  
**綠領控股集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 61)**

*Executive Directors:*

Mr. Zhang Sanhuo (*Chairman*)

Mr. Tse Michael Nam (*Chief Executive Officer*)

*Non-executive Director:*

Mr. Zou Chengjian

*Independent non-executive Directors:*

Ms. Leung Yin Fai

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*

Mr. Zhou Chunsheng

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

Units 2001-2, 20th Floor

Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

10 July 2018

*To the Shareholders and, for information only, holders of  
the convertible securities and share options of the Company*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS –  
PROPOSED ISSUE OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE**

**INTRODUCTION**

References are made to the announcements of the Company dated 1 June 2018 and 29 June 2018 in relation to the proposed Subscriptions. The purpose of this circular is to provide you with further information relating to (i) further details of the Subscriptions; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder; and (iv) a notice of the SGM to be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder including the issue of the Convertible Notes and the Conversion Shares under the Specific Mandate.

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## LETTER FROM THE BOARD

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### SUBSCRIPTION AGREEMENTS

On 1 June 2018 (after trading hours), the Company entered into the two conditional Subscription Agreements with each of the Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes.

#### Date

1 June 2018

#### Parties

- (i) The Company, as issuer;
- (ii) China OEPC, being one of the Subscribers; and
- (iii) Ms. Hao, being the other Subscriber.

China OEPC, being one of the Subscribers, is a company incorporated in the British Virgin Islands with limited liability indirectly and wholly owned by Mr. Zhang. As at the Latest Practicable Date, China OEPC is a substantial Shareholder holding 1,885,859,226 Shares, representing approximately 25.79% of the issued share capital of the Company. China OEPC also holds the Existing CBs in the outstanding principal amount of HK\$380,000,000 which have become mature on 6 June 2018. Accordingly, China OEPC is a connected person of the Company.

Ms. Hao, being the other Subscriber, is the spouse of Mr. Zhang. Accordingly, Ms. Hao is a connected person of the Company. As at the Latest Practicable Date, Ms. Hao holds the Existing CBs in the outstanding principal amount of HK\$15,000,000 which have become mature on 6 June 2018.

#### Subject matter

Subject to fulfilment of the conditions precedent to the Subscriptions below, each of China OEPC and Ms. Hao shall subscribe for the Convertible Notes in principal amount of HK\$380,000,000 and HK\$15,000,000 respectively under the respective Subscription Agreements and the said amounts shall be satisfied by setting off against the amounts due by the Company to the Subscribers under the respective Existing CBs held by China OEPC and Ms. Hao in the outstanding principal amount of HK\$380,000,000 and HK\$15,000,000 respectively.

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## LETTER FROM THE BOARD

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Save for the identity of the Subscribers and the amount of Convertibles Notes to be subscribed, the terms of both Subscription Agreements are identical.

### **Conditions precedent to the Subscriptions**

The Subscriptions are conditional upon:

- (i) the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (ii) the Independent Shareholders passing the necessary resolution(s) at the SGM to approve the Subscription Agreements and the transactions contemplated hereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
- (iii) the Company having obtained, as the case may be, any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Subscription Agreements; and
- (iv) all necessary consents and approvals required to be obtained by the respective Subscribers in respect of the Subscription Agreements and the transactions contemplated thereby, including but not limited to the Subscriptions, having been obtained.

In the event that the conditions of the Subscriptions are not fulfilled by 5:00 p.m. on 31 August 2018 or such other date as may be agreed between the parties to the Subscription Agreements, the Subscription Agreements shall cease and determine and neither the Company nor the Subscribers shall have any obligations and liabilities under the Subscription Agreements.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

For the avoidance of doubt, the Subscription Agreements are not inter-conditional upon each other.

### **Completion**

Completion will take place on the third business day after the conditions of the Subscriptions are fulfilled (or such other date as may be agreed between the respective parties).

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## LETTER FROM THE BOARD

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### PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

- Issuer: The Company
- Principal amount: HK\$395,000,000 in aggregate, of which:
- (i) HK\$380,000,000 is to be subscribed by China OEPC; and
  - (ii) HK\$15,000,000 is to be subscribed by Ms. Hao.
- Maturity Date: The Convertible Notes shall mature on the second anniversary of the date of issue thereof.
- Redemption: The Company may at any time before the maturity date by written notices to relevant Noteholder(s), and with consent of relevant Noteholder(s), redeem the Convertible Notes (in whole or in part) at 100% of the principal amount of the part of the Convertible Notes to be redeemed together with any accrued and unpaid interest.
- Any amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount together with any accrued and unpaid interest.
- Any amount of the Convertible Notes which is redeemed by the Company will be forthwith cancelled.
- Interest: The Convertible Notes shall bear interest of 1.5% per annum on the outstanding principal amount.
- Interest shall be accrued daily on a 365 days basis and is payable quarterly in arrears (or on such other date as the Noteholder(s) and the Company may agree in writing).

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## LETTER FROM THE BOARD

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The interest rate of 1.5% per annum was determined and arrived at after arm's length negotiations between the Company and the Subscribers with reference to the interest rates of recent issues of convertible bonds/notes by other Hong Kong listed issuers. The Hong Kong dollar prime rate as quoted from banks is around 5% per annum. It is also anticipated that the interest rate will increase in the foreseeable future with the announcement of increase of interest rate by the United States of America earlier this year. On the other hand, the Huarong CB (as defined below) bears interest rate of 6.5% per annum.

As such, the Board considers that the interest rate of the Convertible Notes is within the market range and the relatively low interest rate is in the interests of the Company and its Shareholders as a whole.

Transferability:

The Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Notes may not be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company.

Conversion period and restrictions:

Provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder(s) which exercised the conversion rights and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules and the right of the Company to redeem, the Noteholder(s) shall have the right at any time from the date of issue of the Convertible Notes up to 5 business days prior to the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares.

Conversion Price:

The Convertible Notes are convertible into Conversion Shares at the Conversion Price.

Upon issue of the Convertible Notes, the initial Conversion Price will be HK\$0.33 per Conversion Share (subject to adjustments).

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## LETTER FROM THE BOARD

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

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the Convertible Notes instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 80% of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the Convertible Notes instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 80% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the market price;
- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 80% of the market price;

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## LETTER FROM THE BOARD

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(vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Convertible Notes instrument) less than 80% of the market price; and

(viii) an issue being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the Convertible Notes instrument) initially receivable for such securities is less than 80% of the market price.

**Voting Rights:**

The Noteholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of its being the holder of the Convertible Notes.

**Ranking:**

The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Conversion Shares issued upon conversion of the Convertible Notes will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.

**Listing:**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

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## LETTER FROM THE BOARD

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### Conversion Shares

Based on the initial Conversion Price of HK\$0.33 per Conversion Share, a maximum number of 1,196,969,696 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 16.37% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.07% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes in full.

### Conversion Price

The initial Conversion Price of HK\$0.33 per Conversion Share represents:

- (i) the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 1 June 2018, being the date of the Subscription Agreements;
- (ii) a premium of 10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 31 May 2018 of HK\$0.30 per Share; and
- (iii) a premium of approximately 173% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.33 per Conversion Share.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Subscribers, which represent approximately 10% premium over the average closing price of the Shares during 5 consecutive trading days up to and including 31 May 2018 of HK\$0.30 per Share and is the same as the closing price of HK\$0.33 per Share on 1 June 2018, being the date of the Subscription Agreements. In addition to the trading performance of the Shares, the Company and the Subscribers have also taken into consideration of the relatively low liquidity of the Shares and made reference to the recent issues of convertible bonds/notes by other Hong Kong listed issuers in arriving at the Conversion Price.

### Mandate to issue the Conversion Shares

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

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## LETTER FROM THE BOARD

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### REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Group is principally engaged in (i) the development of cassava cultivation and deep processing business for the related ecological cycle industry chain; (ii) coal exploration and development (mining operation), sales of coking coal and the provision of coal trading logistics services; and (iii) the provision of system integration services and software solutions.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Existing CBs is HK\$409,101,004, which are held as to (i) HK\$380,000,000 by China OEPC; (ii) HK\$15,000,000 by Ms. Hao; and (iii) HK\$14,101,004 by independent third parties (as defined in the Listing Rules). For details of the Existing CBs, please refer to the announcement and circular of the Company dated 9 October 2012 and 25 March 2013 respectively.

The Existing CBs have become mature on 6 June 2018 and as disclosed below, it is not expected that the Company would have sufficient internal resources to redeem all the Existing CBs upon maturity. Taking into account the financial position of the Group as discussed below and given the size of the Existing CBs, the Directors consider it impracticable to secure third party financing on terms favourable to the Company to settle the Existing CBs when they fall due.

As at the Latest Practicable Date, China OEPC and Ms. Hao in aggregate hold approximately 25.79% of the issued share capital of the Company. In light of the existing shareholding in the Company held by China OEPC and Ms. Hao and the restriction on conversion under the terms of the Existing CBs, which prohibits conversion which would trigger mandatory general offer obligations under the Takeovers Code, it is also impracticable for China OEPC and Ms. Hao to convert the Existing CBs in full. China OEPC and Ms. Hao also have no intention to exercise the conversion rights attached to the Existing CBs taking into account of the prevailing conversion price of the Existing CBs of HK\$0.70 per Share which is significantly higher than the closing Share price on the Stock Exchange, which were in the range of HK\$0.24 to HK\$0.50 per Share in the past 12 months. In addition, the Existing CBs held by China OEPC are charged in favour of China Huarong Macau (HK) Investment Holdings Limited (“**Huarong (HK)**”) as security for the convertible notes with principal amount of US\$50 million issued by the Company to Huarong (HK) in July 2017 (the “**Huarong CB**”), details of which are set out in the announcement of the Company dated 27 June 2017.

As such, upon negotiations between the Company and the Subscribers, the Subscribers agree to subscribe for the Convertible Notes which would set off against the amount due by the Company under the Existing CBs. The Convertible Notes bear similar salient features as the Existing CBs such as conversion restriction and essentially are an extension of the Existing CBs, except that the conversion price is adjusted to reflect the prevailing market price of the Shares and to a level similar to the conversion price under the Huarong CB of HK\$0.327 per Share, and the Convertible Notes are interest bearing. The Convertible Notes would also continue to be security for the Huarong CB such that the Group would continue to utilise the financial resources under the Huarong CB to develop its cassava cultivation and processing business.

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## LETTER FROM THE BOARD

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Other Existing CBs held by independent third parties (as defined in the Listing Rules) which have become mature on 6 June 2018 will be settled in full within the financial year ending 31 December 2018 by utilising an unsecured facility of up to HK\$20,000,000 available for drawing during the period from 1 June 2018 up to 31 May 2019 provided by China OEPC to the Company which shall bear an interest of 1.5% per annum accrued on the actual outstanding amount. The Subscriptions and the aforesaid facility demonstrate the continuous financial support provided by China OEPC to the Group and will strengthen the financial position of the Group by reducing the current liabilities associated with the Existing CBs.

The Group has cash and bank balance of HK\$118 million as at 31 December 2017. Such balance was not sufficient to repay the Existing CBs in full. The Company has considered partly redeeming the Existing CBs but noted that the cash and bank balance was mainly proceeds from the issue of the Huarong CB, which were specifically earmarked for the use of the Group's cassava cultivation and processing business pursuant to the terms of the agreement for the issue of the Huarong CB. Moreover, it is not practicable to utilise all the cash and bank balance to redeem the Existing CBs partly as the Company considers that it is prudent and in the interests of the Company and the Shareholders to utilise such cash and bank balance for business development of the Group. On this basis, the Company is not expected to have sufficient internal resources to redeem all or part of the Existing CBs at this stage.

The Company has considered other alternative financing methods to settle the Existing CBs partially or in full, including bank borrowings, and rights issue or open offer.

In respect of bank borrowings, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks. Further, certain of the Group's assets including the entire issued share capital of certain subsidiaries, accounts receivables from one of the Group's debtors and certain lands in Cambodia acquired by the Group were pledged as security for the Group's borrowings. The Directors consider that it is impracticable to obtain third party financing on terms favourable to the Group in the absence of any available material assets as security. Notwithstanding this, the Company did explore opportunities to seek for potential banking facility or bank loans. However, up to the date of the Subscription Agreements, the Company did not receive any positive response. In fact, the bank approached by the Company is not willing to provide any proposals to the Company regarding bank loans or banking facilities on the grounds that the Company is not able to provide any material assets as security. As such, the Directors consider that it is impracticable for the Group to obtain additional mid-term or long-term bank loans timely.

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## LETTER FROM THE BOARD

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In relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process. The Company had approached two securities firms for any possibility to act as underwriters for placing, right issue or open offer exercise for the purpose of satisfying the Existing CBs but the Company received negative feedbacks from these securities firms for conducting any of such fund raising exercises. Besides, the Directors believe that the time cost would be higher for the Company to conduct placing or pre-emptive issues such as right issue or open offer as compared to the issue of Convertible Notes, as additional time will be needed for the Company to identify underwriter(s) and the placing agent and for the financial institutes to identify potential placees, and a pre-emptive issue typically runs a longer timetable due to the need to issue prospectus, close the register of members to determine entitlement of Shareholders and allow a minimum 14-day subscription period. The administrative costs involved would also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred.

The Directors are of the view that the issue of the Convertible Notes will provide the Company with flexibility not to redeem all the Existing CBs upon maturity, which have become due on 6 June 2018. The Convertible Notes will not result in immediate dilution effect on the shareholding of the existing Shareholders and the Conversion Price is set at the prevailing market price per Share. With the fact that the Convertible Notes bear relatively low interest rate in comparison with the prevailing market interest rate for external borrowings in light of the financial situation of the Company, the Board is of the view that the terms of the Convertible Notes are in the interests of the Company and its Shareholders as a whole and that the Subscriptions are the appropriate method to settle the Existing CBs held by the Subscribers.

Whilst the Group has negative operating cashflow for the year ended 31 December 2017 and a net liability position as at 31 December 2017, the Company expects that the coal mining business of the Group will be able to generate positive cashflow in the following two years, with the expected commencement of operation of the remaining four coal mines by end of 2018 and in early 2019 respectively. As a result of the development of the coal mining business, the Group expects to generate revenue and increase its cash level from the sales of coking coal significantly. The maturity period of the Convertible Notes was negotiated with the Subscribers having considered the possible gradual improvement in the Group's repayment capability along with the contribution of cashflow from the coal mining business. In the event the Subscribers choose to convert the Convertible Notes into new Shares, the financial position of the Group would be improved as the net liability of the Group would be reduced and the underlying value per Share would be enhanced despite a dilution to the Shareholders in terms of their percentage shareholding in the Company.

## LETTER FROM THE BOARD

Based on the above, the Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms and conditions of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the Subscriptions are in the interests of the Company and the Shareholders as a whole and the possible dilution to Shareholders is acceptable.

In the event that the Company fails to obtain Independent Shareholders' approval for the Subscription Agreements, the Company will consider other means of financing including but not limited to (i) negotiating with the Subscribers for possible extension of maturity of the Existing CBs; and (ii) further exploring the possibility of external debt and/or equity financing.

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion); and (iii) immediately after the allotment and issue of the conversion shares upon full conversion of the Convertible Notes and the Huarong CB at their respective initial conversion prices (assuming that there are no other changes to the issued share capital from the Latest Practicable Date and prior to conversion):

Shareholder	At the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion)		Immediately after the allotment and issue of the conversion shares upon full conversion of the Convertible Notes and the Huarong CB at their respective initial conversion prices (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion)	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
China OEPC (Note 1)	1,885,859,226	25.795%	3,037,374,377	35.700% (Note 4)	3,037,374,377	31.311% (Note 4)
Ms. Hao (Note 2)	-	-	45,454,545	0.534%	45,454,545	0.469%
Mr. Tse Michael Nam (Note 3)	153,164	0.002%	153,164	0.002%	153,164	0.002%
Public Shareholders	5,425,019,624	74.203%	5,425,019,624	63.764%	5,425,019,624	55.924%
Huarong (HK) (Notes 4, 5 and 6)	N/A	N/A	N/A	N/A	1,192,660,550	12.950%
Total:	<u>7,311,032,014</u>	<u>100%</u>	<u>8,508,001,710</u>	<u>100%</u>	<u>9,700,662,260</u>	<u>100%</u>

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## LETTER FROM THE BOARD

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*Notes:*

1. China OEPC beneficially owns 1,885,859,226 Shares and HK\$380,000,000 Existing CBs. China OEPC is wholly owned by Best Growth Enterprises Limited. Best Growth Enterprises Limited is beneficially and wholly owned by Mr. Zhang.
2. Ms. Hao is the spouse of Mr. Zhang, holding HK\$15,000,000 Existing CBs.
3. Mr. Tse Michael Nam is an executive Director.
4. This is for illustrative purpose only as there are restrictions under the terms of the Convertible Notes that prohibit any conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.
5. According to the announcement of the Company dated 22 June 2017, and taking into account of the share consolidation of the Company effective on 28 August 2017, for illustrative purpose, it is assumed that a maximum of 1,192,660,550 conversion shares will be issued to the holder of the Huarong CB upon full conversion.
6. Huarong (HK) beneficially owns the Huarong CB in the principal amount of US\$50,000,000. Huarong (HK) is wholly and beneficially owned by China Huarong (Macau) International Co., Ltd. (“**Huarong (Macau)**”). By virtue of the SFO, Huarong (Macau) was deemed to be interested in the underlying Shares held by Huarong (HK).

The Huarong CB was issued on 10 July 2017 and will mature on 9 July 2020. The Directors expect that there will be no immediate financial needs to redeem the Huarong CB after the issuance of the Convertible Notes. The Directors expect that the net liabilities of the Company will reduce upon conversion of the Huarong CB into conversion shares. In the event that the Huarong CB would not be converted into Shares when matured, there will be additional cash needs on the part of the Company for redemption and settlement, which may have material effect on the Group’s cash position upon maturity. Please refer to the section headed “Reasons for the Subscription Agreements” in this letter for details.

### **PROPOSED USE OF PROCEEDS**

Since the aggregate subscription price for the Convertible Notes of HK\$395,000,000 will be set off against the amounts due by the Company to the Subscribers under the Existing CBs, there will be no additional cash or fund injected into the Company upon Completion.

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## LETTER FROM THE BOARD

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### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of proceeds
27 June 2017	Subscription of the first tranche convertible notes in the principal amount of US\$50,000,000 by Huarong (HK) pursuant to the conditional subscription agreement dated 27 June 2017	The Group intends to use US\$35,000,000 for the development of cassava as a raw material and production of starch, biofuel (ethanol) and their recyclable by products and the remaining of approximately US\$15,000,000 for general working capital purposes	<p>As at 30 June 2018, as to approximately US\$25,067,000 of the net proceeds has been utilized for development of cassava and production of starch, of which (a) as to approximately US\$9,412,000 for plantation and development of the business of cassava; (b) as to approximately US\$2,552,000 for acquisition of production equipment; (c) as to approximately US\$4,834,000 for capital expenditures for construction of cassava starch processing plants; and (d) as to approximately US\$8,269,000 towards trade payments for trial run business.</p> <p>Further, as at 30 June 2018, as to approximately US\$11,454,000 of the net proceeds has been utilized towards payment of finance costs incurred in relation to the development of the cassava business.</p> <p>As at 30 June 2018, as to approximately US\$10,630,000 of the net proceeds has been utilized for general working capital purposes, mainly towards administrative and operating expenses, and other payments.</p> <p>For the remaining unutilized proceeds of approximately US\$2,849,000, the Group intends to use approximately US\$1,475,000 for capital expenditures for construction of cassava starch processing plants and approximately US\$1,374,000 for administrative and operating expenses, and other payments.</p>

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## LETTER FROM THE BOARD

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Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of proceeds
28 December 2017	Subscription of the second tranche convertible notes in the principal amount of US\$50,000,000 by Huarong (HK) pursuant to the conditional subscription agreement dated 28 December 2017	<p>Completion of the subscription of the second tranche convertible notes has not been completed and therefore no proceeds has been received as at the Latest Practicable Date.</p> <p>The gross and net proceeds of the subscription of the second tranche convertible notes will be US\$50,000,000 and approximately US\$49,800,000 respectively. The Directors intend to apply the net proceeds towards:</p> <ul style="list-style-type: none"> <li>(i) the development of cassava and production of starch of approximately US\$42,500,000, of which (a) as to approximately US\$20,500,000 for plantation and development of the business of cassava; (b) as to approximately US\$22,000,000 for capital expenditures for construction of cassava starch processing plants;</li> <li>(ii) approximately US\$2,100,000 towards finance costs; and</li> <li>(iii) general working capital of approximately US\$5,200,000 towards administrative and operating expenses, and other payments.</li> </ul>	Not applicable

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.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China OEPC was a substantial Shareholder holding 1,885,859,226 Shares, representing approximately 25.79% of the issued share capital of the Company. China OEPC was indirectly and wholly owned by Mr. Zhang, the chairman of the Board and an executive Director, and Ms. Hao is the spouse of Mr. Zhang and therefore an associate of Mr. Zhang. As such, each of China OEPC and Ms. Hao is a connected person of the Company. Accordingly, the Subscriptions constitute connected transactions of the Company under the Listing Rules and are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhang has a material interest in the Subscription Agreements and the transactions contemplated thereunder, Mr. Zhang has abstained from voting on the relevant Board resolutions.

### SGM

Set out on pages 57 to 60 of this circular is a notice convening the SGM to be held at Units 2001-2, 20th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong on Monday, 30 July 2018 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares).

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, so as to be received no later than Thursday, 26 July 2018 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

To the best of the Directors' knowledge, information and belief, save for China OEPC and its associates, no Shareholders have a material interest in the Subscription Agreements which is different from other Shareholders, and accordingly save for China OEPC and its associates, no Shareholders are required to abstain from voting on the resolution(s) approving the Subscription Agreements and the transactions contemplated thereunder.

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## **LETTER FROM THE BOARD**

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### **CLOSURE OF THE REGISTER OF MEMBERS**

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the register of members of the Company will be closed from Wednesday, 25 July 2018 to Monday, 30 July 2018, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 24 July 2018.

### **RECOMMENDATION**

Taking into account the reasons as set out in the paragraph headed "Reasons for the Subscription Agreements" above, the Directors (excluding Mr. Zhang) are of the view that the Subscription Agreements and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder.

The Independent Board Committee, having taken into consideration the advice of the Independent Financial Adviser, is of the view that the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser contained in this circular.

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## LETTER FROM THE BOARD

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### WARNING

Shareholders and potential investors should be aware that the Subscription Agreements and the transactions contemplated thereunder are subject to the fulfilment of the conditions. Accordingly, completion of the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Green Leader Holdings Group Limited**  
**Mr. Zhang Sanhuo**  
*Chairman*

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Subscriptions.*

  
**GREEN LEADER HOLDINGS GROUP LIMITED**  
**綠領控股集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 61)**

10 July 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS –  
PROPOSED ISSUE OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE**

We refer to the circular (the “**Circular**”) dated 10 July 2018 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder. Red Sun has been appointed by the Company as the independent financial adviser to advise us in this regard. Details of the advice of Red Sun, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 24 to 49 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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After taking into account the factors and reasons considered by Red Sun and its conclusion and advice, we concur with their views and consider that the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ms. Leung Yin Fai**

**Mr. Leung Po Wing,**  
**Bowen Joseph** *GBS, JP*

**Mr. Zhou Chunsheng**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



紅日資本有限公司  
RED SUN CAPITAL LIMITED

10 July 2018

To: *The Independent Board Committee and the Independent Shareholders of the Company*

Dear Sirs,

### CONNECTED TRANSACTIONS PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreements (together with the transactions contemplated therein, including the issue of Convertible Notes and the allotment and issue of the Conversion Shares under the specific mandate), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 10 July 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 1 June 2018, the Company and the Subscribers entered into the conditional Subscription Agreements with the respective Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes for a principal amount of HK\$395,000,000. Completion of the Subscription Agreements is subject to the satisfactory completion of the conditions precedent to the Subscriptions. The initial Conversion Price is HK\$0.33 per Conversion Share, and the Convertible Notes will carry an interest of 1.50% per annum and will mature on the second anniversary of the issue date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that the Subscribers are connected persons of the Company, the Subscriptions constitute connected transactions to the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscribers and their associates (including but not limited to China OEPC and Ms. Hao) shall abstain from voting at the SGM on the resolution approving the Subscription Agreements and the Transactions contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors, namely, Ms. Leung Yin Fai, Mr. Leung Po Wing, Bowen Joseph *GBS, JP* and Mr. Zhou Chunsheng, has been formed to advise the Independent Shareholders on the Subscription Agreements. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscriptions and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Subscription Agreements were entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; (ii) the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION AND RECOMMENDATION

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. The date of the relevant Circular and our letter of advice was 10 July 2018 and the nature of the transactions were connected transactions relating to the proposed issue of the Convertible Notes under specific mandate.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION AGREEMENTS

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

#### (A) Reasons for entering into the Subscription Agreements

##### *(1) Subscription Agreements overview*

The Group is principally engaged in (i) the development of cassava cultivation and deep processing business for the related ecological cycle industry chain; (ii) coal exploration and development (mining operation), sales of coking coal and the provision of coal trading logistics service; and (iii) the provision of system integration services and software solutions.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Existing CBs is HK\$409,101,004, which are held as to (i) HK\$380,000,000 by China OEPC; (ii) HK\$15,000,000 by Ms. Hao; and (iii) HK\$14,101,004 by two independent third parties (as defined under the Listing Rules). For details of the Existing CBs, please refer to the announcement and circular of the Company dated 9 October 2012 and 25 March 2013 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Board Letter, the Existing CBs have matured on 6 June 2018 and it was not expected that the Company would have sufficient internal resources to redeem all the Existing CBs upon maturity. Taking into account the financial position of the Group and given the size of the Existing CBs, the Directors consider it impracticable to secure third party financing on terms favourable to the Company to settle the Existing CBs when they fall due. As at the Latest Practicable Date, China OEPC and Ms. Hao in aggregate hold approximately 25.79% of the issued share capital of the Company. In light of the existing shareholding in the Company held by China OEPC and Ms. Hao and the restriction on conversion under the terms of the Existing CBs, which prohibits conversion which would trigger mandatory general offer obligations under the Takeovers Code, it is also impracticable for China OEPC and Ms. Hao to convert the Existing CBs in full before maturity. China OEPC and Ms. Hao also have no intention to exercise the conversion rights attached to the Existing CBs taking into account of the prevailing conversion price of the Existing CBs of HK\$0.70 per Share which is significantly higher than the closing price on the Stock Exchange, which were in the range of HK\$0.24 to HK\$0.50 per Share in the past 12 months. In addition, the Existing CBs held by China OEPC are charged in favour of Huarong as security for the Huarong CB, details of which are set out in the announcement of the Company dated 27 June 2017. As such, upon negotiations between the Company and the Subscribers, the Subscribers agree to subscribe for the Convertible Notes which would set off against the amount due by the Company under the Existing CBs. The Convertible Notes bear similar salient features as the Existing CBs such as conversion restriction and essentially are an extension of the Existing CBs, except that the conversion price is adjusted to reflect the prevailing market price of the Shares and to a level similar to the conversion price under the Huarong CB of HK\$0.327 per Share, and the Convertible Notes are interest bearing. The Convertible Notes would also continue to be security for the Huarong CB such that the Group would continue to utilise the financial resources under the Huarong CB to develop its cassava cultivation and processing business.

Other Existing CBs held by independent third parties (as defined in the Listing Rules) which became mature on 6 June 2018, have been or will be repaid in full by utilising an unsecured facility of up to HK\$20,000,000 available for drawing during the period from 1 June 2018 up to 31 May 2019 provided by China OEPC to the Company which shall bear an interest of 1.5% per annum accrued on the actual outstanding amount. The Subscriptions and the aforesaid facility demonstrate the continuous financial support provided by China OEPC to the Group and will strengthen the financial position of the Group by reducing the current liabilities associated with the Existing CBs. Based on the above, the Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(2) Business overview of the Group**

Set out below are (i) the audited consolidated financial results and position of the Group for each of the two years ended 31 December 2016 and 2017 and the reasons for the movement as extracted from the Company's annual report for the year ended 31 December 2017 (the "2017 Annual Report"):

*Table 1: Consolidated financial result of the Group*

	<b>Financial year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue</b>		
Systems integration services and software solutions	94,912	63,063
Mining operation	93,225	381,766
Coal operation	–	–
Cassava starch operation	9,628	70,080
Consolidated	197,765	514,909
<b>Segment profit/(loss)</b>		
Systems integration services and software solutions	357	5,452
Mining operation	489,273	1,137,642
Coal operation	(156)	(156)
Cassava starch operation	3,163	(14,137)
Consolidated	492,637	1,128,801
<b>Profit before taxation</b>	310,070	753,080
<b>Profit for the year</b>	191,198	512,564
<b>Attributable to:</b>		
Owners of the Company	107,605	94,108
Non-controlling interests	83,593	418,456

We note from the 2017 Annual Report that the revenue increased from approximately HK\$197.8 million for the year ended 31 December 2016 to approximately HK\$514.9 million for the year ended 31 December 2017, representing an increase of approximately HK\$317.1 million or 160.3%. The main reason was due to the significant increase in sales of coking coal from the mining operation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the year ended 31 December 2017, the Company recorded profit for the year of approximately HK\$512.6 million as compared to approximately HK\$191.2 million recorded in the previous year. Based on the 2017 Annual Report, the increase in profit for the year was primarily due to the combined effects of (i) the increase in revenue for the year ended 31 December 2017; (ii) the increase in gross profit margin from gross loss for the year ended 31 December 2016 to gross profit margin of approximately 27% for the year ended 31 December 2017 which mainly contributed by the mining operation with a higher gross profit margin of approximately 31%; (iii) the increase in other operating income from approximately HK\$11.7 million for the year ended 31 December 2016 to approximately HK\$50.6 million for the year ended 31 December 2017 which mainly represented a gain on disposal of the entire issued share capital of an indirectly wholly-owned subsidiary of the Company in June 2017; (iv) the increase in administrative and other operating expenses from approximately HK\$174.1 million for the year ended 31 December 2016 to approximately HK\$348.9 million for the year ended 31 December 2017 which mainly represented the expenses increased in line with the revenue and the increased expenses incurred for the new business in cassava starch operation in Cambodia; (v) the increase in net reversal of impairment loss in respect of mining rights and property, plant and equipment from approximately HK\$562.0 million and HK\$91.8 million for the year ended 31 December 2016, respectively, to approximately HK\$1,111.8 million and HK\$180.0 million for the year ended 31 December 2017, respectively; and (vi) the increase in finance cost from approximately HK\$272.7 million for the year ended 31 December 2016 to approximately HK\$323.4 million for the year ended 31 December 2017 resulting from the decrease in interest expenses capitalised and partially offset by the decrease in total borrowing costs.

The profit attributable to owners of the Company reduced from approximately HK\$107.6 million for the year ended 31 December 2016 to approximately HK\$94.1 million for the year ended 31 December 2017 which was mainly attributable to the combined effects of (i) the decrease in the change in fair value of derivative component of convertible borrowings of approximately HK\$52.4 million recorded for the year ended 31 December 2017 while a gain of approximately HK\$126.9 million recorded for the year ended 31 December 2016; and (ii) the significant portion of increased segment profit generated from mining operation contributed by subsidiaries not wholly-owned by the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Table 2: Consolidated financial position of the Group*

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	9,403,806	11,413,381
– Mining rights	7,944,075	9,492,873
Current assets	237,449	336,454
– Prepayments, deposits and other receivables	162,317	206,265
– Bank balances and cash	36,943	118,218
Current liabilities	(5,248,475)	(6,366,010)
– Amount due to a non-controlling interest holder	(3,902,503)	(4,615,030)
Non-current liabilities	(2,310,965)	(2,581,269)
– Liabilities component of convertible bonds	(370,998)	(294,231)
– Deferred tax liability	(1,795,426)	(2,166,859)
Non-controlling interests	2,935,887	3,483,554
Equity attributable to owners of the company	(854,072)	(680,998)

We note from the 2017 Annual Report that the majority of the non-current assets of the Group as at each of the reporting dates stated in the Table 2 was mining rights. The mining rights amounted to approximately HK\$7,944.1 million as at 31 December 2016 and approximately HK\$9,492.9 million as at 31 December 2017. The majority of the current assets of the Group as at each of the reporting dates stated in the Table 2 was prepayments, deposits and other receivables. It amounted to approximately HK\$162.3 million as at 31 December 2016 and approximately HK\$206.3 million as at 31 December 2017.

We also note that the cash and cash equivalents increased from approximately HK\$36.9 million as at 31 December 2016 to approximately HK\$118.2 million as at 31 December 2017, representing increase of approximately HK\$81.3 million or 220.3%. We note from the 2017 Annual Report, the increase was attributable to the combined effects of (i) the net cash generated from financing activities of approximately HK\$281.1 million for the year ended 31 December 2017; (ii) the net cash used in operating activities of approximately HK\$86.0 million for the year ended 31 December 2017; and (iii) the net cash used in investing activities of approximately HK\$122.6 million for the year ended 31 December 2017.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(3) Financing alternatives*

We note from the Company that it has considered alternative fund-raising methods, including bank borrowings, and rights issue or open offer, but resolved to proceed with the Subscriptions after taking into account the following:

In respect of bank borrowings, apart from the unsecured facility of up to HK\$20,000,000 available for drawing during the period from 1 June 2018 up to 31 May 2019 provided by China OEPC, who was a holder of the Existing CBs and will be a holder of the Conversion Notes, to the Company which shall bear an interest of 1.5% per annum accrued on the actual outstanding amount, the Directors are of the view and we concur after reviewing the 2017 Annual Report and the information provided by the Company including but not limited to the correspondence between the Company and the bank that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with bank and usually requires pledge of assets by the borrower. According to the 2017 Annual Report, certain assets of the Group including the entire issued share capital of certain subsidiaries, accounts receivables from one of the Group's debtors and certain lands in Cambodia acquired by the Group were pledged as security for the Group's existing borrowings. With reference to the 2017 Annual Report, the Group recorded net cash outflow in operating activities of approximately HK\$69.7 million and HK\$86.0 million for the year ended 31 December 2016 and 2017, respectively. As confirmed with the Company, the Company has approached a bank for potential banking facility or bank loans. However, up to the date of the Subscription Agreements, the Company did not receive any positive response or proposals from the bank regarding bank loans or banking facilities. According to the Directors, the bank approached by the Company is not willing to provide any proposals to the Company regarding bank loans or banking facilities on the grounds that the Company is not able to provide any material assets as security. As such, the Directors consider and we concur with reference to (i) the 2017 Annual Report, (ii) the discussion with the Company and learnt that there will not be material factors affecting the current operation of the Company and (iii) the information provided by the Company including but not limited to the correspondence between the Company and the bank, that it is unlikely for the Group to alleviate its current financial burden with its operating activities and obtain additional mid-term or long-term bank loans timely.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the Group; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). According to the Directors, the Company had approached two securities firms for any possibility to act as underwriters for placing, right issue or open offer exercise for the purpose of satisfying the Existing CBs but the Company received negative feedbacks from these securities firms for conducting any of such fund raising exercises. The Directors believe that the time cost and administrative costs would be higher for the Company to conduct placing, right issue or open offer as compared to the issue of Convertible Notes. The Directors believe that the time cost would be higher for the Company to conduct pre-emptive issues such as right issue or open offer as compared to the issue of Convertible Notes, as additional time will be needed for the Company to identify underwriter(s) and the placing agent and for the financial institutes to identify potential placees, and a pre-emptive issue typically runs a longer timetable due to the need to issue prospectus, close the register of members to determine entitlement of Shareholders and allow a minimum 14-day subscription period. The administrative costs involved would also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred. We concur, with reference to the information provided by the Company including but not limited to the correspondence between the Company and the two securities firms the Company approached, with the Directors on the point that the relatively lengthy period and much higher cost involved in a rights issue or an open offer may result in the Company being subject to the adverse effects of the recent volatility of the share of the Company as shown in Chart 1 in this letter, and therefore increase uncertainty to the investment interest for potential investors or existing shareholders of the Company in the Company and thus the ability to raise the funds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors consider and we concur that the placing, rights issue or open offer would incur more transaction costs including but not limited to underwriting commission (assuming the underwriting commission of a rights issue or an open offer payable to the underwriter(s) would be 3% on the gross proceeds of the Subscriptions, the underwriting commission would amount to HK\$11.85 million) and such corporate exercises would have a relatively more time consuming process including the lengthy process of identifying potential placee(s) and/or underwriter(s), if applicable, and the lengthy timetable and procedures of implementing a placing, rights issue or an open offer which may affect the business plan of the Group. With reference to the information provided by the Company including but not limited to the correspondence between the Company and the two financial institutes the Company approached, we further understand that the Company have explored the possibility for placing, right issue or open offer exercise for the purpose of satisfying the Existing CBs but none of these securities firms provided any positive feedback or proposals for conducting any of such fund raising exercises before the date of the Subscription Agreements.

Having considered that (i) the Subscribers have indicated its willingness to subscribe for the Convertible Notes; and (ii) the Directors confirmed that in the event the Company intends to raise fund, they would exercise due and careful consideration to choose the best financing method available to the Company including, among others, placing of Shares, rights issue, open offer and debt financing, we concur with the Directors that the issuance of Convertible Notes to the Subscribers is in the interests of the Company and the Shareholders as a whole.

#### **(4) Our view**

Based on the above and having considered in particular that the Subscribers have indicated its willingness to subscribe for the Convertible Notes while bank borrowings would be difficult to obtain or other equity financing alternatives such as placing, rights issue or open offers might not have enough market demand and all of the aforementioned fund raising alternatives are not likely to be in favourable terms according to the Directors, we concur with the Directors that the entering into of the Subscription Agreements is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (B) Principal terms of the Subscription Agreements

#### *(1) Key terms of the Subscription Agreements and background of the Subscribers*

On 1 June 2018, the Company entered into the two conditional Subscription Agreements with each of the Subscribers, pursuant to which each of the Subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Notes in the aggregate principal amount of HK\$395,000,000. The initial conversion price is HK\$0.33 per Conversion Share, and the Convertible Notes will carry an interest of 1.50% per annum and will mature on the second anniversary of the issue date. Further details of the Subscription Agreements are set out in the Board Letter.

As disclosed in the Board Letter, China OEPC, being one of the Subscribers under the Subscriptions, is a company incorporated in the British Virgin Islands with limited liability indirectly and wholly owned by Mr. Zhang. As at the Latest Practicable Date, China OEPC is a substantial Shareholder holding 1,885,859,226 Shares, representing approximately 25.79% of the issued share capital of the Company. China OEPC also holds the Existing CBs in the outstanding principal amount of HK\$380,000,000 which shall fall due on 6 June 2018. Ms. Hao, being the other Subscriber, is the spouse of Mr. Zhang. Accordingly, Ms. Hao is a connected person of the Company. As at the Latest Practicable Date, Ms. Hao holds the Existing CBs in the outstanding principal amount of HK\$15,000,000 which shall fall due on 6 June 2018. Accordingly, China OEPC and Ms. Hao are connected persons of the Company under Chapter 14A of the Listing Rules.

#### *(2) Conversion price*

The initial Conversion Price is HK\$0.33 per Conversion Share. As stated in the Board Letter, the initial conversion price was determined by the parties to the Subscription Agreements after arm's length negotiations between the Company and the Subscribers, which represent approximately 10% premium over the average closing price of the Shares during 5 consecutive trading days up to and including 31 May 2018 of HK\$0.3 per Share and the closing price of HK\$0.33 per Share on 1 June 2018, being the date of the Subscription Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In considering the fairness and reasonableness of the initial Conversion Price, we have conducted the following analyses:

(i) *Comparison of the initial Conversion Price with the prevailing Share price*

We note that the initial Conversion Price of HK\$0.33 per Conversion Share represents:

- a premium of approximately 172.73% over the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- same as the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on 1 June 2018, being the date of the Subscription Agreements;
- a premium of 10.00% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 31 May 2018, being approximately HK\$0.30 per Share;
- a premium of approximately 6.45% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 31 May 2018, being approximately HK0.31 per Share; and
- a discount of approximately 13.16% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last six months up to and including 31 May 2018, being approximately HK\$0.38 per Share.

We compared the respective premium/discount over/to the closing price of the shares of such companies on the relevant date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Premium/(Discount) – Last**”), and on last five consecutive trading day (the “**Premium/(Discount) – Five**”) as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount) – Last and Premium/(Discount) – Five represented by the initial Conversion Price. The minimum discount noted in the market was 18.87% and 19.17% for the “Premium/(Discount) – Last” and the “Premium/(Discount) – Five”, respectively. Please see the details in note (iv) of this section.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

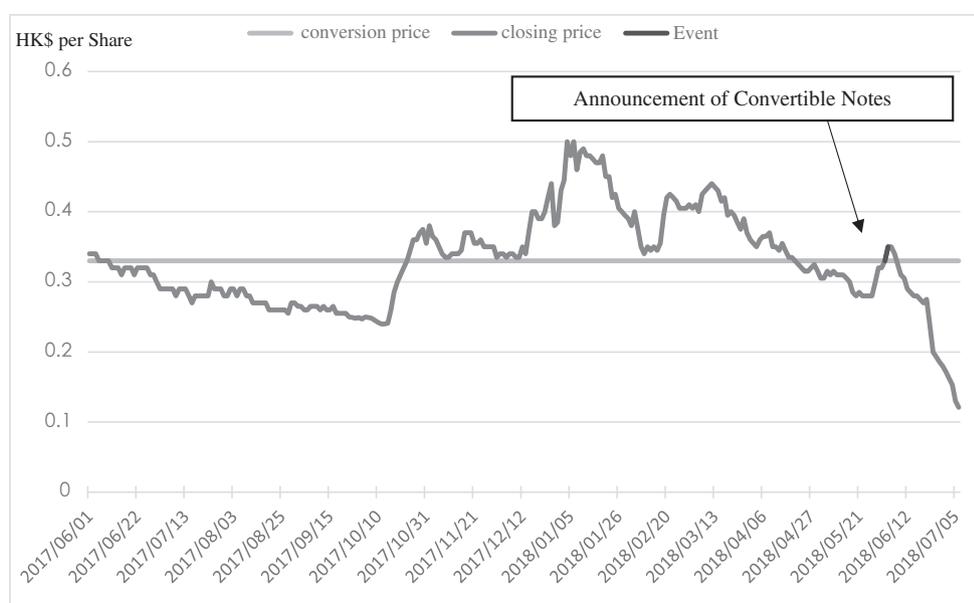
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Based on the above, we noted that the initial Conversion Price of HK\$0.33 per Conversion Share represented discount of approximately 13.16% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last six months up to and including 31 May 2018, being approximately HK\$0.38 per Share. The discount was within the market range based on the above research.

(ii) *Comparison of the initial Conversion Price and historical share price performance*

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelve-month period ended on and including the date of the Subscription Agreements together with the period commencing from the date immediately after the date of the Subscription Agreements up to and including the Latest Practicable Date (the “**Review Period**”):

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



Source: The website of the Stock Exchange ([www.hkex.com](http://www.hkex.com))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the closing prices of the Shares ranged from HK\$0.24 per Share to HK\$0.50 per Share. While the initial Conversion Price is within such range of the closing prices of the Shares during the Review Period, we note that the initial Conversion Price represents:

- a discount of approximately 13.16% to the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the date of the Subscription Agreements, being approximately HK\$0.38 per Share; and
- a discount of approximately 2.94% to the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including the date of the Subscription Agreements, being approximately HK\$0.34 per Share.
- a discount of approximately 5.71% to the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Latest Practicable Date, being approximately HK\$0.35 per Share; and
- approximately the same price comparing to the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including the Latest Practicable Date, being approximately HK\$0.33 per Share.

We note that the initial Conversion Price represents no material premium or discount over the prevailing market price of the Shares in general as analysed in the section headed “Comparison of the initial Conversion Price with the prevailing Share price” above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Comparison of the initial Conversion Price with the net asset value per Share*

According to 2017 Annual Report, the Group recorded negative equity attributable to the owners of the Company of approximately HK\$681.0 million as at 31 December 2017 and no analysis on net asset value per Share is presented as the analysis shall be distorted.

We consider that the market price is a more prevailing factor in determining the fairness and reasonableness of the Conversion Price. Premium to the equity attributable to the owners of the Company should be taken as a reference only.

According to the announcement dated 1 June 2018, the initial Conversion Price of HK\$0.33 per Conversion Share represents: (i) the closing price as quoted on the Stock Exchange on 1 June 2018; and (ii) a premium of 10 % over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 31 May 2018 and the initial Conversion Price was carried at after arm's length negotiations between the Company and the Subscribers taking into account of, among others, the recent trading performance of the Shares. We consider that the current market price of the Shares has reflected the value of the Shares which are generally perceived by the market taking into account all business segments of the Group as well as the prevailing market conditions. Therefore, we are of the view that the Conversion Price is fair and reasonable as it reflects the current market price.

We have reviewed the trading volume data in respect of the Shares during a period from the start of June 2017 to the Last Trading Day and up to and including the Latest Practicable Date as illustrated in the table below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

	Total trading volume of the Shares <i>Number of Shares</i>	Number of trading days in the month  <i>Days</i>	Average daily trading volume of the Shares  <i>Number of Shares</i>	Average daily trading volume as a percentage of the then total number of Shares issued  <i>Approximately percentage</i>
<b>2017</b>				
July 2017	755,680,800	21	35,984,800	0.49%
August 2017	727,124,460	22	33,051,112	0.45%
September 2017	739,581,560	21	35,218,170	0.48%
October 2017	1,079,265,845	20	53,963,292	0.74%
November 2017	934,148,781	22	42,461,308	0.58%
December 2017	804,082,637	19	42,320,139	0.58%
<b>2018</b>				
January 2018	661,298,480	22	30,059,022	0.41%
February 2018	307,791,080	18	17,099,504	0.23%
March 2018	378,006,000	21	18,000,286	0.25%
April 2018	247,321,800	19	13,016,937	0.18%
May 2018	249,705,930	21	11,890,759	0.16%
June 2018	1,021,742,738	20	51,087,137	0.70%
July 2018 (up to and including the Latest Practicable Date)	157,061,000	4	39,265,250	0.54%

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

We note from the above table that the average daily trading volume in the Review Period ranged from a minimum of approximately 0.16% of total number of issued Shares (in May 2018) to a maximum of approximately 0.74% of total number of issued Shares (in October 2017). We also note from the above table that trading in the Shares had been rather thin during the Review Period. The relatively low liquidity of the Shares may imply lack of interest from potential investors to invest in the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iv) Comparison with recent issues of convertible bonds/notes by other listed issuers*

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) by companies listed on the Stock Exchange (excluding the issuance for acquisition) that were announced during the three-month period prior to the date of the Subscription Agreements (the “**Comparable Issues**”) by searching through published information on the Stock Exchange’s website. Based on such criteria, we have identified 19 Comparable Issues. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of convertible bond(s) or convertible note(s) meeting the aforesaid criteria.

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the table below:

Issuers of the Comparable Issues (stock code)	Stock code	Announcement date of the Comparable Issues	Conversion Price	Premium/	Premium/	Interest rate (annual)	Maturity period
				(Discount) – Last	(Discount) – Five		
				Approximately %	Approximately %		
			HKS			Approximately %	years
Prosper One International Holdings Company Limited	1470	31/5/2018	0.800	(16.67%)	(16.67%)	0.80%	1
Comtec Solar Systems Group Limited	712	18/5/2018	0.174	(0.57%) (Note 1)	(0.57%) (Note 1)	10.00%	3
New City Development Group Limited	456	16/5/2018	0.215	(18.87%)	(19.17%)	2.00%	2
China Environmental Technology Holdings Limited	646	16/5/2018	0.206	73.11%	71.95%	8.00%	3
Xinming China Holdings Limited	2699	15/5/2018	1.390	19.83%	19.21%	6.50%	2
China Finance Investment Holdings Limited	875	15/5/2018	0.023	9.52%	4.55%	5.00%	1
Tempus Holdings Limited	6880	15/5/2018	2.370	20.30%	17.90%	7.00%	1
LVGEM (China) Real Estate Investment Company Limited	95	10/5/2018	3.760	18.61%	18.02%	4.00%	5
Petro-King Oilfield Services Limited	2178	10/5/2018	0.470	0.00%	(2.08%)	8.00%	1.5
Angang Steel Company Limited	347	11/5/2018	9.540	15.10%	16.00%	0.00%	7
China Environmental Energy Investment Limited	986	8/5/2018	0.350	18.64%	21.95%	5.00%	1
Global Strategic Group Limited	8007	3/5/2018	0.108	7.41%	7.96%	10.00%	2
SMI Holdings Group Limited	198	2/5/2018	3.850	13.24%	17.02%	7.50%	2
TUS International Limited	872	17/4/2018	0.537	(11.97%)	(9.90%)	0.00%	5
South Sea Petroleum Holdings Limited	76	25/4/2018	0.060	25.00%	30.43%	0.00%	10 (Note 2)
China Ruifeng Renewable Energy Holdings Limited	527	24/4/2018	0.485	(17.80%)	(19.17%)	6.50%	1
ArtGo Holdings Limited	3313	30/3/2018	N/A (Note 3)	N/A	N/A	5.00%	2
Burwill Holdings Limited	24	20/3/2018	0.320	(9.86%)	(4.48%)	7.00%	1.5
Beijing Gas Blue Sky Holdings Limited	6828	5/3/2018	0.570	(3.39%)	(3.72%)	2.00%	2
			<b>Maximum</b>	73.11%	71.95%	10.00%	10
			<b>Minimum</b>	(18.87%)	(19.17%)	Nil	1
			<b>Average</b>	7.87%	8.29%	4.96%	2.79
			<b>Median</b>	8.47%	6.26%	5.00%	2
The Company	61	1/6/2018	0.33	0.00%	10.00%	1.50%	2

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

Notes:

- The premium/discount is not explicitly disclosed in the relevant announcement and it has been calculated based on the closing price of the shares on the date of agreement/ the average closing price of the shares for the five trading days immediately prior to and including the date of agreement (where applicable) as disclosed on the website of the Stock Exchange.
- The convertible debentures' maturity date is 25 April 2028.
- Not applicable as the conversion price of this Comparable is not explicitly disclosed in the relevant announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, we note that the Premium/(Discount) – Last represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 18.87% to a premium of approximately 73.11%, with an average of a premium of 7.87%. The Premium/(Discount) – Last represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – Last of the Comparable Issues.

We note that the Premium/(Discount) – Five represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 19.17% to a premium of approximately 71.95%, with an average of a premium of 8.29%. The Premium/(Discount) – Five represented by the Conversion Price therefore falls within the range of the Premium/(Discount) – Five of the Comparable Issues.

We also note that the Existing CBs bear no interest while the Convertible Notes bear interest of 1.5% per annum. Also, we note interest rates in respect of the Comparable Issues ranged from nil to 10.00% per annum, with an average of approximately 4.96% per annum. The interest rate of the Convertible Notes, being 1.50% per annum, therefore falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues.

Furthermore, it is also noted that the maturity period of the Comparable Issues ranged from one to ten years with a median of 2 years. The maturity of the Conversion Notes is therefore within the range and is the same as the median of those of the Comparable Issues.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(v) *Our view*

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

- (a) the trading liquidity of the Shares, as analysed above, was at a level that was not sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions, while such market value of the Shares itself (which averages at approximately HK\$0.30 per Share for the last five consecutive trading days up to and including 31 May 2018, at approximately HK\$0.31 per Share for the last 30 consecutive trading days up to and including the 31 May 2018, and at approximately HK\$0.38 per Share for the last six months up to and including 31 May 2018) and we consider that the market price is more prevailing factor in determining the fairness and reasonableness of the Conversion Price;
- (b) the Premium/(Discount) – Last and Premium/(Discount) – Five represented by the Conversion Price are fall within the respective ranges of Comparable Issues;
- (c) the Group has a funding need for redemption the Existing CBs upon maturity;
- (d) the interest rate of the Convertible Notes, being 1.50% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable issues and it is agreed by the Company and the Subscribers after arms-length negotiation according to the Directors. We concur with the Directors that it is reasonable for the Subscribers to enjoy an interest return which is lower than the average interest rate of the Comparable Issues given that the Subscribers have provided financial assistance to the Group for five years without exercising their rights to convert the Existing CBs or receiving any interest from the Group; and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the maturity period of the Convertible Notes, being two years, falls within range and is at the median of those of the Comparable Issues and it is agreed by the Company and the Subscribers after arms-length negotiation according to the Directors where both parties agreed to a shorter maturity period given the addition of the fixed interest which should be reviewed with reference to the market in a certain period of time,

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

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

The above table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the date of the announcement dated 1 June 2018 and prior to conversion); and (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes and Huarong CB at the initial conversion prices (assuming that there are no other changes to the issued share capital of the Company from the date of the announcement dated 1 June 2018 and prior to conversion):

	(i) At as the Latest Practicable Date		(ii) Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Conversion Notes at the initial Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion)		(iii) Immediately after the allotment and issue of the Conversion Shares upon full conversion of the conversion notes and Huarong CB at the initial Conversion Price (assuming that there are no other changes to the issued share capital of the Company from the Latest Practicable Date and prior to conversion)	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Shareholders						
China OEPC (Note 1)	1,885,859,226	25.795%	3,037,374,377	35.700% (Note 4)	3,037,374,377	31.311% (Note 4)
Ms. Hao (Note 2)	-	-	45,454,545	0.534%	45,454,545	0.469%
Mr. Tse Michael Nam (Note 3)	153,164	0.002%	153,164	0.002%	153,164	0.002%
Public Shareholders	5,425,019,624	74.203%	5,425,019,624	63.764%	5,425,019,624	55.924%
Huarong (Macau) (Note 4, 5 and 6)	N/A	N/A	N/A	N/A	1,192,660,550	12.295%
Total	<u>7,311,032,014</u>	<u>100.000%</u>	<u>8,508,001,710</u>	<u>100.000%</u>	<u>9,700,662,260</u>	<u>100.000%</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. China OEPC beneficially owns 1,885,859,226 Shares and HK\$380,000,000 Existing CBs. China OEPC is wholly owned by Best Growth Enterprises Limited. Best Growth Enterprises Limited is beneficially and wholly owned by Mr. Zhang.
2. Ms. Hao is the spouse of Mr. Zhang, holding HK\$15,000,000 Existing CBs.
3. Mr. Tse Michael Nam is an executive Director.
4. This is for illustrative purpose only as there are restrictions under the terms of the Convertible Notes that prohibit any conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.
5. According to the announcement dated 27 June 2017, for illustrative purpose of Huarong CB, it is assumed that a maximum of 1,192,660,550 consideration shares, taking into account the share consolidation of the Company effective on 28 August 2017, will be issued to the subscriber upon full conversion.
6. China Huarong Macau (HK) Investment Holdings Limited (“**Huarong (HK)**”) beneficially owns ordinary Shares and convertible bonds in the principal amount of US\$50,000,000. Huarong (HK) is wholly and beneficially owned by China Huarong (Macao) International Co., Ltd. (“**Huarong (Macau)**”). By virtue of the SFO, Huarong (Macau) was deemed to be interested in those Shares held by Huarong (HK).

We have reviewed the Company’s 2017 Annual Report and the terms of Huarong CB and the Conversion Notes.

Huarong CB was issued on 10 July 2017 and which will be matured on 9 July 2020. The Directors expect that there was no immediate financial Huarong CB after the issuance of the Convertible Notes. The Directors expect that the net asset value of the Company will increase upon conversion of the Huarong CB by Huarong (HK) into conversion shares as a result of the decrease in liabilities and increase in share capital if the conversion rights attached to Huarong CB are exercised. However, if the outstanding Huarong CB shall not be exercised when matured, there will be additional cash needed for the settlement, which will have material effect on the Group’s cash position upon the maturity. Therefore, we concur with the Directors on the points discussed above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the terms of Huarong CB, the bondholder shall have the right (the “**Conversion Right**”) to convert all or any part of the principal amount of its holding of convertible bonds for conversion shares at any time during the conversion period from the Issue Date to the Maturity Date, provided that the conversion rights shall only be exercised to the extent that such exercise will not (a) cause the Company to be unable to meet the public float requirements as required under Rule 8.08 of the Listing Rules or (b) result in change of control (as defined under the Takeovers Code) of the Company. Therefore, the exercise of Huarong CB will subject to the above restrictions and the minimum public shareholding requirement under Rule 8.08 of Listing Rules shall not be affected. Having considered that (i) the Subscribers have indicated its willingness to subscribe for the Convertible Notes; (ii) bank borrowings would be difficult to obtain or other equity financing alternatives such as placing, rights issue or open offers might not have enough market demand; (iii) the dilution effect to be brought by the Existing CBs on the shareholding interests of the existing public Shareholders if the Existing CBs are not settled by the Convertible Notes; and (iv) all of the aforementioned fund raising alternatives are not likely to be in favourable terms, we concur with the Directors that the issuance of Convertible Notes is fair, reasonable and in the interest of the Company and its independent shareholders as a whole.

### **(D) Financial effects of the Subscriptions**

#### ***(1) Effect on the net asset value***

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **(2) *Effect on gearing***

According to 2017 Annual Report, the Group's gearing ratio as computed as the Group's other borrowings, promissory notes, liabilities component of convertible loan notes and obligation under finance lease over total equity was approximately 27% as at 31 December 2017. The Directors expect that there will not be any material adverse changes to the gearing of the Group as a result of the issue of Convertible Notes subject to the new valuation report which to be prepared by an independent valuer. If the conversion rights attaching to the Convertible Notes are exercised, the gearing position of the Group would be improved.

If the conversion rights attaching to the Convertible Notes are exercised, the gearing position of the Group would be improved. If the conversion rights attaching to the Convertible Notes are not exercised or the Convertible Notes are not redeemed within the maturity period, the gearing position of the Group would be slightly worsened due to the interest payable to the Subscriber which would in turn affect the equity of the Group given all other financial factors remain constant. If the conversion rights attaching to the Convertible Notes are not exercised upon maturity of the Convertible Notes, the Company will have to repay the loan with interest to the Subscribers with cash. The gearing position of the Group would still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

### **(3) *Effect on liquidity***

Since the aggregate subscription price for the Convertible Notes of HK\$395,000,000 will be set off against the amounts due by the Company to the Subscribers under the Existing CBs, there will be no additional cash or fund injected into the Company upon Completion, which will have no material effect on the Group's cash position.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(4) Effect on earnings*

As the Convertible Notes carries an interest of 1.50% per annum and will mature on the second anniversary of the issue date, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expenses on Convertible Notes of approximately HK\$5,900,000 per annum before maturity or otherwise converted into Convertible Shares.

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

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

### **RECOMMENDATION**

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the Subscription Agreements is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreements.

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

*Note:* Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 type (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

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

**DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**

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

**(i) Long/short position in the Shares**

Name of Directors	Nature of interest	No. of Shares held	Position	Approximate
				percentage of issued share capital as at the Latest Practicable Date
Mr. Zhang ( <i>Note</i> )	Beneficial owner	1,885,859,226	Long	25.845%
		1,827,237,883	Short	25.042%
Mr. Tse Michael Nam	Beneficial owner	153,164	Long	0.002%

*Note:*

China OEPC which is beneficially owned by Best Growth Enterprises Limited (“**Best Growth**”), and Mr. Zhang is the ultimate beneficial owner. Therefore, by virtue of the SFO, Mr. Zhang was deemed to be interested in all the Shares held by China OEPC. As at 31 December 2017, China OEPC held 1,885,859,226 Shares, of which 1,827,237,883 Shares had been pledged.

## (ii) Long/short position in the underlying shares

Name of Directors	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital as at 31 December 2017
Mr. Zhang ( <i>Note 1</i> )	Beneficial owner	565,885,713	Long	7.755%
		542,857,142	Short	7.440%
Mr. Tse Michael Nam ( <i>Note 3</i> )	Beneficial owner	78,967,400	Long	1.082%
Mr. Zou Chengjian ( <i>Note 4</i> )	Beneficial owner	1,000,000	Long	0.014%
Ms. Leung Yin Fai ( <i>Note 5</i> )	Beneficial owner	1,000,000	Long	0.014%
Mr. Leung Po Wing Bowen Joseph ( <i>Note 6</i> )	Beneficial owner	1,000,000	Long	0.014%
Mr. Zhou Chunsheng ( <i>Note 7</i> )	Beneficial owner	1,000,000	Long	0.014%

*Note:*

- These underlying shares are held by (i) Mr. Zhang, an executive Director and the Chairman of the Board, as share options of the Company entitling him to subscribe for 1,600,000 Shares at a subscription price of HK\$1.50 per Share; (ii) Ms. Hao for the amount of HK\$15,000,000 Existing CBs, which are convertible into 21,428,571 Shares, as family interest; and (iii) China OEPC which is beneficially owned by Best Growth, and Mr. Zhang is the ultimate beneficial owner for the amount of HK\$380,000,000 Existing CBs, which are convertible into 542,857,142 Shares. All the amount of HK\$380,000,000 Existing CBs, which are convertible into 542,857,142 Shares, had been pledged.

As at the Latest Practicable Date, Mr. Zhang held in aggregate 565,885,713 underlying Shares in which 542,857,142 underlying Shares had been pledged.

- Mr. Tse Michael Nam, an executive Director and the chief executive officer of the Company, held share options of the Company entitling him to subscribe for (i) 6,000,000 Shares at a subscription price of HK\$1.50 per Share; and (ii) 72,967,400 Shares at a subscription price of HK\$0.352 per Share.

3. Mr. Zou Chengjian, a non-executive Director, held share options of the Company entitling him to subscribe for 1,000,000 Shares at a subscription price of HK\$1.50 per Share.
4. Ms. Leung Yin Fai, an independent non-executive Director, held share options of the Company entitling her to subscribe for 1,000,000 Shares at a subscription price of HK\$1.50 per Share.
5. Mr. Leung Po Wing Bowen Joseph, an independent non-executive Director, held share options of the Company entitling him to subscribe for 1,000,000 Shares at a subscription price of HK\$1.50 per Share.
6. Mr. Zhou Chunsheng, an independent non-executive Director, held share options of the Company entitling him to subscribe for 1,000,000 Shares at a subscription price of HK\$1.50 per Share.

In addition to the above, as at the Latest Practicable Date, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements under the predecessor Companies Ordinance (Cap. 32, Laws of Hong Kong).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

#### **DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

## (I) Interests in the Shares and underlying Shares

Name of substantial Shareholders	Nature of interest	No. of Shares and/or underlying Shares held	Position	Approximate percentage of issued share capital as at Latest Practicable Date
Best Growth (Note 1)	Interest of controlled corporation	2,428,716,368	Long	33.285%
		2,370,095,025	Short	32.482%
China OEPC (Note 1)	Beneficial owner	2,428,716,368	Long	33.285%
		2,370,095,025	Short	32.482%
China Huarong Macau (HK) Investment Holdings Limited (Note 2)	Beneficial owner	4,755,416,126	Long	65.171%
		1,192,660,550	Short	16.345%
China Huarong (Macau) International Co., Ltd. (Note 2)	Interest of controlled corporation	4,755,416,126	Long	65.171%
		1,192,660,550	Short	16.345%
Huarong (HK) Industrial Financial Investment Limited (Note 3)	Interest of controlled corporation	4,755,416,126	Long	65.171%
		1,192,660,550	Short	16.345%
Huarong Real Estate Co., Ltd. (Note 4)	Interest of controlled corporation	4,755,416,126	Long	65.171%
		1,192,660,550	Short	16.345%
China Huarong Asset Management Co., Ltd. (Note 5)	Interest of controlled corporation	4,755,416,126	Long	65.171%
		1,192,660,550	Short	16.345%

## Note:

- China OEPC beneficially owns 1,885,859,226 Shares and HK\$380,000,000 Existing CBs which are convertible into 542,857,142 Shares. China OEPC is beneficially owned by Best Growth. Best Growth is beneficially owned by Mr. Zhang. By virtue of the SFO, Mr. Zhang and Best Growth are deemed to be interested in those Shares and derivative interest held by China OEPC.

2. China Huarong Macau (HK) Investment Holdings Limited (“**Huarong (HK)**”) beneficially owns convertible bonds in the principal amount of US\$50,000,000. Huarong (HK) is wholly and beneficially owned by China Huarong (Macau) International Co., Ltd. (“**Huarong (Macau)**”). By virtue of the SFO, Huarong (Macau) was deemed to be interested in those Shares held by Huarong (HK).
3. Huarong (Macau) is in turn beneficially owned by Huarong (HK) Industrial Financial Investment Limited (“**Huarong IFI**”). By virtue of the SFO, Huarong IFI was deemed to be interested in those Shares which Huarong (Macau) was interested.
4. Huarong IFI is in turn beneficially owned by Huarong Real Estate Co., Ltd. (“**Huarong REC**”). By virtue of the SFO, Huarong REC was deemed to be interested in those Shares which Huarong IFI was interested.
5. Huarong REC is in turn beneficially owned by China Huarong Asset Management Co., Ltd. (“**Huarong AM**”). By virtue of the SFO, Huarong AM was deemed to be interested in those Shares which Huarong REC was interested.

**(II) Interests in shares of associated corporations of the Company**

Name of subsidiary	Name of entity	Class and number of securities	Percentage shareholdings
BMC Software (China) Ltd.	BMC Software (HK) Ltd.	1 ordinary share of HK\$1 (L)	10%

*L: represents a long position in the securities*

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person (other than Directors or the chief executive of the Company) had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or held any options in respect of such capital.

**DIRECTORS’ INTERESTS IN CONTRACTS OR ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Group were made up.

Save for the Subscription Agreements, particulars of which are disclosed in the letter from the Board contained in this circular, in which Mr. Zhang is considered to be interested, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

**DIRECTORS' SERVICE CONTRACTS**

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

**DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given its opinion and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Red Sun	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Red Sun did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Red Sun did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

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

**MATERIAL ADVERSE CHANGES**

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

**GENERAL**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Units 2001-2, 20th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 5106-07, 51/F, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours (public holdings excluded) from the date of this circular up to and including the date of the SGM:

- (a) the Subscription Agreements;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 24 to 49 of this circular;
- (e) the letter of consent referred to under the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (f) a copy of this circular.

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## NOTICE OF THE SGM

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**GreenLeader**  
**GREEN LEADER HOLDINGS GROUP LIMITED**  
**綠領控股集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 61)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Green Leader Holdings Group Limited (the “**Company**”) will be held at Units 2001-2, 20th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong on Monday, 30 July 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT**
  - (a) the subscription agreement (the “**First Subscription Agreement**”) dated 1 June 2018 and entered into between the Company as issuer and China OEPC Limited as subscriber (the “**China OEPC**”) in relation to the issue of unlisted convertible notes (the “**First Convertible Notes**”) in the principal amount of HK\$380,000,000 by the Company (a copy of the First Subscription Agreement having been produced to the SGM and marked “**A**” and initialled by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the First Convertible Notes and the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the First Convertible Notes) be and are hereby approved, confirmed and ratified;
  - (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the First Convertible Notes in accordance with the terms and conditions of the First Convertible Notes; and

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## NOTICE OF THE SGM

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- (c) any one or more Directors 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 to carry out and implement the First Subscription Agreement, the First Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the First Subscription Agreement.”

2. **“THAT**

- (a) the subscription agreement (the **“Second Subscription Agreement”**) dated 1 June 2018 and entered into between the Company as issuer and Ms. Hao Ting as subscriber (**“Ms. Hao”**) in relation to the issue of unlisted convertible notes (the **“Second Convertible Notes”**) in the principal amount of HK\$15,000,000 by the Company (a copy of the Second Subscription Agreement having been produced to the SGM and marked **“B”** and initialled by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the Second Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of conversion rights attaching to the Second Convertible Notes) be and are hereby approved, confirmed and ratified;
- (b) the board of the Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Second Convertible Notes in accordance with the terms and conditions of the Second Convertible Notes; and

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## NOTICE OF THE SGM

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- (c) any one or more Directors 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 to carry out and implement the Second Subscription Agreement, the Second Convertible Notes and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Second Subscription Agreement.”

By order of the Board  
**GREEN LEADER HOLDINGS GROUP LIMITED**  
**Zhang Sanhuo**  
*Chairman*

Hong Kong, 10 July 2018

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Units 2001-2, 20th Floor  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

*Notes:*

1. Any Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF THE SGM

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4. Where there are joint Shareholders, any one of such joint Shareholder may vote, either in person or by proxy, in respect of such Shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM, 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 Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders in respect of the joint holding.
  
5. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, so as to be received no later than Thursday, 26 July 2018 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.