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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 Mayer Holdings 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 registered institution in securities 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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美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01116)

**(I) SETTLEMENT DEED AND OFF-MARKET SHARE BUY-BACK;
(II) PROPOSED CAPITAL REORGANISATION;
(III) ALLOTMENT AND ISSUE OF REMUNERATION SHARES;
(IV) PROPOSED OPEN OFFER ON THE BASIS OF
FOUR OFFER SHARES FOR EVERY ONE ADJUSTED SHARE
HELD ON THE RECORD DATE
AND
(V) NOTICE OF THE EGM**

Financial adviser to the Company

VEDA | CAPITAL
智略資本

**Independent Financial Adviser to the Independent Board Committee,
the Independent Shareholders and Shareholders
(other than Make Success and Bumper East)**



A letter from the Board is set out on pages 11 to 53 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders or, as the case may be, the Shareholders (other than Make Success and Bumper East) is set out on pages 54 to 55 of this circular. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders or, as the case may be, the Shareholders (other than Make Success and Bumper East) is set out on pages 56 to 87 of this circular.

A notice convening the EGM to be held at 2 p.m. on Monday, 15 October 2018 at 3/F., Alliance Building, 130-136 Connaught Road Central, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting (or adjournment thereof) should you so wish. In the event that the meeting is adjourned, the relevant form of proxy shall be deemed to be revoked.

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EXPECTED TIMETABLE

The expected timetable for the Share Buy-backs, the Capital Reorganisation, the allotment and issue of Remuneration Shares and the Open Offer set out below is indicative only:

| Event | Expected time and date |
|--|---|
| Despatch of this circular | Friday, 21 September 2018 |
| Latest time for lodging transfers of Shares in order to qualify for the attendance and voting at the EGM | 4:30 p.m. on Tuesday, 9 October 2018 |
| Register of members closes to determine the qualification for attendance and voting at the EGM (both dates inclusive) | Wednesday, 10 October 2018 to Monday, 15 October 2018 |
| Latest time and date for lodging form of proxy for the EGM | 2:00 p.m. on Saturday, 13 October 2018 |
| Record date for the EGM | Monday, 15 October 2018 |
| Time and date of the EGM | 2:00 p.m. on Monday, 15 October 2018 |
| Announcement of results of the EGM | 7:00 p.m. on Monday, 15 October 2018 |
| If approvals sought at the EGM are obtained: | |
| Expected effective date of the Capital Reorganisation (including the Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot) and the Share Buy-backs | Tuesday, 16 October 2018 |
| Allotment and issue of the Remuneration Shares | Tuesday, 16 October 2018 |
| Last day of dealings in the Adjusted Shares on cum-entitlement basis | Tuesday, 16 October 2018 |
| Free exchange of existing share certificates for Adjusted Shares commences | Tuesday, 16 October 2018 |
| First day of dealings in the Adjusted Shares on ex-entitlement basis | Thursday, 18 October 2018 |
| Latest time for lodging transfers of Shares in order to qualify for the Open Offer | 4:30 p.m. on Friday, 19 October 2018 |

EXPECTED TIMETABLE

| Event | Expected time and date |
|---|---|
| Register of members closes to determine the eligibility of the Open Offer (both dates inclusive) | Monday, 22 October 2018 to Friday, 26 October 2018 |
| Record Date for the Open Offer | Friday, 26 October 2018 |
| Despatch of the Prospectus Documents | Monday, 29 October 2018 |
| Latest Time for Acceptance | 4:00 p.m. on Monday, 12 November 2018 |
| Latest Time for Termination | 4:00 p.m. on Tuesday, 13 November 2018 |
| Announcement of results of acceptance of the Offer Shares and excess application for the Offer Shares | Monday, 19 November 2018 |
| Despatch of share certificates for the Offer Shares | Tuesday, 20 November 2018 |
| Despatch of refund cheques if the Open Offer is terminated | Tuesday, 20 November 2018 |
| Expected date of Resumption and commencement of dealings in the Offer Shares (if all the resumption conditions are fulfilled) | Wednesday, 21 November 2018 |
| Last day of free exchange of existing share certificates for new certificates for Adjusted Share | Wednesday, 21 November 2018 |
| Odd lot matching arrangement commences | Wednesday, 21 November 2018 |
| Odd lot matching arrangement ends | Tuesday, 11 December 2018 |

Note:

All times and dates in this circular refer to Hong Kong local time and dates. Shareholders should note that the times and dates specified in this circular for events in the timetable for (or otherwise in relation to) the Share Buy-backs, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriters.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION OF AND PAYMENT FOR OFFER SHARES

All times stated in this circular refer to Hong Kong time. The Latest Time for Acceptance will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 12 November 2018. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 12 November 2018. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Monday, 12 November 2018, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

| | |
|-------------------------------------|---|
| “Acquisition Agreement” | the sale and purchase agreement in relation to the acquisition of entire equity interest in Yield Rise which was entered into between the Company and Make Success on 8 November 2010 (as amended by a supplemental agreement dated 31 March 2011) |
| “acting in concert” | has the meaning ascribed to this term under the Takeovers Code |
| “Adjusted Share(s)” | shares of a nominal value of HK\$0.20 each in the share capital of the Company after the Capital Reorganisation becoming effective |
| “Announcement” | the announcement of the Company dated 20 July 2018 in relation to, among other things, (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer |
| “Application Form(s)” | the application form(s) to be used by the Qualifying Shareholders to apply for the Offer Shares |
| “Aspial Investment” | Aspial Investment Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Chen Wei. As at the Latest Practicable Date, Aspial Investment is a substantial Shareholder and holds 100,000,000 Shares which represents approximately 10.78% of the existing total issued share capital of the Company |
| “Authorised Share Capital Increase” | the proposed increase of the authorised share capital of the Company to HK\$800,000,000 divided into 4,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each, by the creation of 3,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each after the Share Consolidation becoming effective |
| “Board” | the board of Directors |

DEFINITIONS

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| “Bumper East” | Bumper East Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lin Jinhe, an executive Director. As at the Latest Practicable Date, Bumper East is a substantial Shareholder and holds 100,000,000 Shares which represents approximately 10.78% of the existing total issued share capital of the Company |
| “Business Day(s)” | day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays) |
| “Capital Reorganisation” | the proposed reorganisation of the share capital of the Company comprising the Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot |
| “CCASS” | the Central Clearing and Settlement system established and carried on by HKSCC |
| “Change in Board Lot” | the proposed change in board lot size of the Company’s securities for trading on the Stock Exchange from 4,000 Shares to 10,000 Adjusted Shares |
| “Companies (WUMP) Ordinance” | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Company” | Mayer Holdings Limited (美亞控股有限公司*), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 01116) |
| “connected person(s)” | having the same meaning ascribed thereto in the Listing Rules |
| “Consideration Shares” | 236,363,636 Shares issued to Make Success for the partial settlement of the consideration pursuant to the Acquisition Agreement |

DEFINITIONS

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| “Convertible Bonds” | the convertible bonds convertible into approximately 163,636,363 Shares at a conversion price of HK\$0.55 per Share in the principal amount of HK\$90 million issued by the Company to Make Success for the partial settlement of the consideration pursuant to the Acquisition Agreement |
| “Court” | the High Court of the Hong Kong Special Administrative Region |
| “Dan Tien Port” | Dan Tien Port, a port located at Mong Cai Town, Quang Ninh Province, Vietnam |
| “Director(s)” | director(s) of the Company |
| “EAF(s)” | the excess application form(s) for additional Offer Shares proposed to be subscribed by the Qualifying Shareholders in excess of their assured entitlement under the Open Offer |
| “EGM” | an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer |
| “Excluded Shareholders” | those Overseas Shareholders whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account of either the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “Group” | the Company and its subsidiaries (from time to time) |
| “Guangzhou Mayer” | Guangzhou Mayer Corporation Limited, an indirect non-wholly owned subsidiary of the Company |

DEFINITIONS

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| “HCA64/2012 Action” | the legal proceedings between the Company as plaintiff, and, Make Success, Tan Thang Construction Commercial Investment Joint Stock Company, Hop Thanh Trading – Electronics – Telecom Service Joint Stock Company, Mr. Zhang Xin Yu, Mr. Lam Chin Chun, Mr. Chau Yau Keung, Mr. Wang Han, Simsen Capital Finance Limited, Spring Sky Limited and United Simen Securities Limited as defendants, in the High Court of Hong Kong |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent committee of the Board, comprising the non-executive Director, namely Mr. Wang Dongqi, and all the independent non-executive Directors, namely Mr. Lau Kwok Hung, Ms. Chen Yen Yung and Mr. Deng Shimin, established to give recommendations to (i) the Independent Shareholders on the Settlement Deed and the Share Buy-backs; and (ii) the Shareholders (other than Make Success and Bumper East) on the Open Offer, and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Shinco Capital Limited, a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser appointed by the Company to advise (i) the Independent Board Committee in connection with the Settlement Deed, the Share Buy-backs and the Open Offer; (ii) the Independent Shareholders in connection with the Settlement Deed and the Share Buy-backs; and (iii) the Shareholders (other than Make Success and Bumper East) in connection with the Open Offer, and the transactions contemplated thereunder |

DEFINITIONS

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| “Independent Shareholders” | the Shareholders, excluding (i) Make Success, Bumper East and any parties acting in concert with each of them; and (ii) those who are involved or interested in the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder, as the case may be, and who are required to abstain from voting on the relevant resolution(s) at the EGM |
| “Independent Third Party(ies)” | third party(ies) independent of the Company and connected person(s) of the Company and is/are not connected person(s) of the Company |
| “Injunction” | an interlocutory injunction under the HCA64/2012 Action granted by the Court on 5 April 2012 against, amongst others, Make Success, pursuant to which Make Success is restrained from, amongst others, exercising any rights or powers (including but not limited to voting rights in general meeting(s) of the Company) in respect of the Consideration Shares, details of such injunction is set out in the announcement of the Company dated 5 April 2012 |
| “Investor(s)” | the investors who have entered into agreement with Yicko Securities for the subscription of the Untaken Shares to be underwritten by Yicko Securities pursuant to the Underwriting Agreement, each an Investor |
| “Irrevocable Undertakings” | the irrevocable undertakings dated 20 July 2018 executed by Aspial Investment and Bumper East respectively (as amended and supplemented by the Supplemental Undertakings), pursuant to which Aspial Investment and Bumper East respectively undertake to subscribe for certain Offer Shares being their respective full entitlements to the Offer Shares |
| “Kam Fai Securities” | Kam Fai Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity as defined under the SFO, being one of the three Underwriters |
| “Last Trading Day” | 6 January 2012, being the last trading day of the Shares prior to the date of the Suspension |

DEFINITIONS

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| “Latest Practicable Date” | 18 September 2018, being the latest practicable date for ascertaining certain information prior to the printing of this circular |
| “Latest Time for Acceptance” | 4:00 p.m. on Monday, 12 November 2018 or such other date and/or time as may be agreed between the Company and the Underwriters, being the latest time for acceptance of and payment for the offer of Offer Shares and excess application for Offer Shares |
| “Latest Time for Termination” | 4:00 p.m. on Tuesday, 13 November 2018, or such other date and/or time as may be agreed between the Company and the Underwriters, being the latest time by which the Underwriters may terminate the Underwriting Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Make Success” | Make Success Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor under the Acquisition Agreement |
| “Offer Price” | the offer price of HK\$0.20 per Offer Share at which the Offer Shares are proposed to be offered for subscription |
| “Offer Share(s)” | 1,398,400,000 Adjusted Shares proposed to be issued under the Open Offer |
| “Open Offer” | the proposed offer for subscription of the Offer Shares on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date at the price of HK\$0.20 per Offer Share and payable in full on acceptance pursuant to the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus |
| “Overseas Shareholder(s)” | shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong |
| “Performance Targets” | the principal performance targets of Guangzhou Mayer as set out in the Update Announcements, which constitute a profit forecast under Rule 10 of the Takeover Code |

DEFINITIONS

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| “PRC” or “China” | the People’s Republic of China, which, for the purpose of this circular and for geographical reference only, excludes Taiwan, the Macao Special Administrative Region of the PRC and Hong Kong (unless otherwise indicated) |
| “President Securities” | President Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, being one of the three Underwriters |
| “Previous Announcements” | the announcements made by the Company dated 16 January 2012, 9 March 2012, 5 April 2012, 3 October 2012, 31 December 2013, 8 October 2014, 30 March 2015, 1 April 2015, 22 May 2015, 30 June 2015, 31 July 2015, 31 August 2015, 30 September 2015, 30 October 2015, 1 December 2015, 31 December 2015, 1 February 2016, 29 February 2016, 31 March 2016, 3 May 2016, 31 May 2016, 30 June 2016, 29 July 2016, 31 August 2016, 30 September 2016, 31 October 2016, 30 November 2016, 29 December 2016, 27 January 2017, 28 February 2017, 31 March 2017, 28 April 2017, 31 May 2017, 30 June 2017, 31 July 2017, 31 August 2017, 29 September 2017, 31 October 2017, 30 November 2017, 29 December 2017, 31 January 2018, 28 February 2018, 29 March 2018, 30 April 2018, 29 May 2018, 29 June 2018, 31 July 2018 and 31 August 2018 |
| “Promissory Notes” | the promissory notes in the principal amount of HK\$300 million issued by the Company to Make Success for the partial settlement of the consideration pursuant to the Acquisition Agreement |
| “Prospectus” | the prospectus to be issued by the Company in relation to the Open Offer |
| “Prospectus Documents” | the Prospectus, the Application Form and the EAF to be issued by the Company in relation to the Open Offer |
| “Prospectus Posting Date” | Monday, 29 October 2018 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents |

DEFINITIONS

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| “Qualifying Shareholder(s)” | the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company on the Record Date |
| “Record Date” | Friday, 26 October 2018 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer |
| “Registrar” | Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong |
| “Relevant Period” | the period commencing on the date which is six months prior to the date of publication of the Announcement on 20 July 2018 and ending on the Latest Practicable Date |
| “Remuneration Shares” | 4,000,000 Adjusted Shares to be allotted and issued to Veda Capital for the partial settlement of the professional fees in respect of the Resumption |
| “Resumption” | the resumption of trading in the Adjusted Shares on the Stock Exchange |
| “Resumption Proposal” | the resumption proposal (as supplemented by subsequent submissions by the Company) submitted by the Company to the Stock Exchange |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Settlement Deed” | a settlement deed entered into between the Company, Make Success and Yield Rise on 20 July 2018 in relation to the settlement of, among others, the Acquisition Agreement |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of a nominal value of HK\$0.10 each in the existing share capital of the Company before the Capital Reorganisation becoming effective |

DEFINITIONS

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| “Share Buy-backs” | buy-back of all the Consideration Shares by the Company from Make Success, as contemplated under the Settlement Deed, which constitutes an off-market share buy-back by the Company under the Share Buy-backs Code |
| “Share Buy-backs Code” | the Code on Share Buy-backs issued by the SFC |
| “Share Consolidation” | the proposed consolidation of every two (2) issued and unissued Shares of a nominal value of HK\$0.10 each into one (1) Adjusted Share of a nominal value of HK\$0.20 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | having the same meaning ascribed thereto in the Listing Rules |
| “Supplemental Agreement” | the supplemental agreement dated 18 September 2018 entered into between the Company and the Underwriters to amend and supplement certain terms of the Underwriting Agreement |
| “Supplemental Undertakings” | the supplemental letters dated 18 September 2018 executed by Aspial Investment and Bumper East respectively to amend and supplement certain terms of their respective Irrevocable Undertakings |
| “Suspension” | the suspension of trading in the Shares since 9 January 2012 |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by the SFC |
| “Underwriters” | Yicko Securities, President Securities and Kam Fai Securities |
| “Underwriting Agreement” | the Underwriting Agreement dated 20 July 2018 entered into between the Company and the Underwriters in relation to the Open Offer (as amended and supplemented by the Supplemental Agreement) |

DEFINITIONS

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| “Underwritten Shares” | all of the Offer Shares (other than the Offer Shares to be taken up by Aspial Investment and Bumper East under the Irrevocable Undertakings), being 998,400,000 Offer Shares, which are fully underwritten by the Underwriters on a several basis on the terms and subject to the conditions set out in the Underwriting Agreement |
| “Untaken Shares” | the Underwritten Shares which have not been taken up by the Qualifying Shareholders |
| “Update Announcements” | the announcement of the Company dated 8 August 2018 in relation to the updates on Guangzhou Mayer and the clarification announcement of the Company dated 18 September 2018 |
| “Veda Capital” | Veda Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, the financial adviser to the Company in respect of the Resumption |
| “Working Capital Loan” | an interest-free loan facility up to an aggregate principal amount of not exceeding HK\$50 million pursuant to which Bumper East, being a substantial Shareholder, has agreed to make available to the Company such loan facility solely as its working capital |
| “Yicko Securities” | Yicko Securities Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities as defined under the SFO, being one of the three Underwriters |
| “Yield Rise” | Yield Rise Limited, a company incorporated in the British Virgin Islands with limited liability, being the target company under the Acquisition Agreement |
| “Yield Rise Group” | Yield Rise and its subsidiaries (from time to time) |
| “%” | per cent |

For the purpose of this circular, unless otherwise specified, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.15 for illustration purpose only.

LETTER FROM THE BOARD



美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01116)

Executive Directors

Mr. Lee Kwok Leung (*Chairman*)

Mr. Xu Lidi

Mr. Lin Jinhe

Registered office

PO Box 309, Ugland House

Grand Cayman KY1-1104

Cayman Islands

Non-executive Director

Mr. Wang Dongqi

Head Office and Principal Place of

Business in Hong Kong

21st Floor

No. 88 Lockhart Road

Wan Chai

Hong Kong

Independent non-executive Directors

Mr. Lau Kwok Hung

Ms. Chen Yen Yung

Mr. Deng Shimin

21 September 2018

To the Shareholders

Dear Sir or Madam,

**(I) SETTLEMENT DEED AND OFF-MARKET SHARE BUY-BACK;
(II) PROPOSED CAPITAL REORGANISATION;
(III) ALLOTMENT AND ISSUE OF REMUNERATION SHARES;
(IV) PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER
SHARES FOR EVERY ONE ADJUSTED SHARE HELD ON
THE RECORD DATE;
AND
(V) NOTICE OF THE EGM**

INTRODUCTION

References are made to the announcements of the Company dated 9 January 2012, 2 June 2017, 16 January 2018 and 20 July 2018 respectively.

The Company requested to suspend the trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 9 January 2012 pending the release of an announcement by the Company which is of price-sensitive in nature.

* *For identification purpose only*

LETTER FROM THE BOARD

On 2 June 2017, the Stock Exchange issued a letter to the Company stating that (i) the second delisting stage expired on 23 May 2017 and the Company has not submitted any resumption proposal; and (ii) the Listing Department of the Stock Exchange (the “**Listing Department**”) decided to place the Company into the third delisting stage under Practice Notice 17 to the Listing Rules. Accordingly, the third delisting stage commenced on 14 June 2017 and expired on 13 December 2017. The conditions for the Resumption are set out as follows:

- (i) demonstrate that the Company has sufficient operations or value of assets under Rule 13.24;
- (ii) publish all outstanding financial results and address any audit qualifications;
- (iii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- (iv) inform the market about all material information of the Company.

On 28 November 2017, the Resumption Proposal was submitted to the Stock Exchange by the Company to demonstrate to the Stock Exchange that when the Resumption Proposal is successfully implemented, the conditions for the Resumption will be satisfied.

On 16 June 2018, the Company announced that the Stock Exchange agreed to allow the Company to proceed with the Resumption Proposal subject to the completion of all the transactions contemplated under the Resumption Proposal, including but not limited to (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer.

The purpose of the circular (the “**Circular**”) is to provide the Shareholders with further details of, among other things, (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; (iv) the Open Offer; (v) the recommendation and opinion of the Independent Board Committee and letter of advice from the Independent Financial Adviser in relation to the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated thereunder; and (vi) the notice of the EGM.

LETTER FROM THE BOARD

I. SETTLEMENT DEED

Background

On 8 November 2010, the Company entered into the Acquisition Agreement (as amended by a supplemental agreement dated 31 March 2011) with Make Success, where Make Success agreed to sell and the Company agreed to purchase the entire issued share capital of Yield Rise at the total consideration of HK\$620 million. Such consideration was comprised of (i) HK\$100 million in cash as deposit; (ii) HK\$130 million by issue and allotment of the Consideration Shares to Make Success; (iii) HK\$90 million by issue of the Convertible Bonds to Make Success; and (iv) HK\$300 million by issue of the Promissory Notes to Make Success.

The transactions contemplated under the Acquisition Agreement were completed on 9 May 2011, and as a result, (i) a deposit in the amount of HK\$100 million was paid to Make Success; (ii) the Consideration Shares were issued to Make Success; (iii) a sum of HK\$90 million of Convertible Bonds were issued to Make Success; (iv) the Promissory Notes in an amount of HK\$300 million were issued to Make Success; and (v) the Company has acquired the entire issued share capital in Yield Rise.

References are made to the Previous Announcements. The Company commenced the HCA64/2012 Action by way of a writ of summons dated 12 January 2012 and an amended writ of summons dated 6 March 2012 whereby it was purported that the Company was defrauded by relying on two letters of intent (which was claimed to be false and misleading) issued by each of Tan Thang Construction Commercial Investment Joint Stock Company and Hop Thanh Trading-Electronics-Telecom Service Joint Stock Company which formed the basis of the valuation conducted by Grant Sherman Appraisal Limited, which in turn, was relied on to determine the consideration under the Acquisition Agreement. The said two letters of intent, which were issued by Tan Thang and Hop Thanh respectively, stated their intention to conduct business at Dan Tien Port project.

The Company claims against Make Success and other defendants for the following relief:

- (i) rescission of the Acquisition Agreement;
- (ii) repayment of the deposit in the amount of HK\$100 million being made by the Company to Make Success under the Acquisition Agreement; and
- (iii) an injunction to restrain Make Success from disposing of or procuring any person to dispose of, dealing with, or diminishing the value of its assets, whether in its own name or not, and whether solely or jointly owned, in particular, the Consideration Shares, the Convertible Bonds and the Promissory Notes.

LETTER FROM THE BOARD

The Settlement Deed

On 20 July 2018 (after trading hours), the Company entered into the Settlement Deed with Make Success and Yield Rise to resolve the matter of Dan Tien Port project. Pursuant to the Settlement Deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the Consideration Shares shall be bought back by the Company from Make Success (i.e. the Share Buy-backs) at nil consideration; (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes; (iv) Make Success shall surrender and the Company shall cancel all the Convertible Bonds; (v) the Company shall transfer the shares in Yield Rise to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement.

Except for the event (vi) as stated above, none of the other events contemplated under the Settlement Deed is subject to the approval from the court on the discontinuation of the HCA64/2012 Action jointly applied by Make Success and the Company. As advised by the legal adviser of the Company, the court will normally approve an application of the plaintiff (i.e. the Company) to discontinue a litigation if he wants to, as it is not desirable that the plaintiff should be compelled to litigate against his will, unless such approval will bring injustice to the defendant or the defendant will be deprived of any advantage which he has already gained in the litigation, which is not applicable in the current situation, as the intended discontinuation of the HCA64/2012 Action would be a joint application by the Company (the plaintiff in the HCA64/2012 Action) and Make Success (a defendant in the HCA64/2012 Action) by mutual consent. As such, it is highly unlikely that the court would not approve the joint application by the Company and Make Success for the discontinuation of the HCA64/2012 Action.

As the agreement to discontinue the HCA64/2012 Action is between the Company and Make Success pursuant to the Settlement Deed, the application for the discontinuation of the HCA64/2012 Action between the Company and Make Success is not required to be made by all parties involved in the HCA64/2012 Action.

LETTER FROM THE BOARD

Implementation of the Settlement Deed and subsequent events after the Share Buy-backs and the cancellation of all the Consideration Shares have taken place

Set out below are (i) the events that would take place under the implementation of the Settlement Deed; and (ii) the subsequent events after the Share Buy-backs and the cancellation of all the Consideration Shares have taken place:

(i) Events that would take place under the Settlement Deed

| Sequence | Description of events | Conditions |
|-----------------|---|---|
| 1 | The Company shall buy back and cancel the Consideration Shares from Make Success (i.e. Share Buy-backs) | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM; and (ii) approval from the Executive |
| | Make Success shall surrender and the Company shall cancel all the Promissory Notes | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM |
| | Make Success shall surrender and the Company shall cancel all the Convertible Bonds | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM |
| | The Company shall transfer the shares in Yield Rise to Make Success | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM |
| | Rescission of the Acquisition Agreement and the Company and Make Success shall discharge and release each other for any claims or liabilities under the Acquisition Agreement | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM |
| | All the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely | (i) approvals from at least 75% of the votes cast by Independent Shareholders at the EGM; and (ii) approval from the court on the application by Make Success and the Company to discontinue the HCA64/2012 Action |

LETTER FROM THE BOARD

(ii) Subsequent events after the Share Buy-backs and the cancellation of all the Consideration Shares have taken place

| Sequence | Description of events | Conditions |
|----------|--|---|
| 2 | Capital Reorganisation | <ul style="list-style-type: none">(i) approvals from more than 50% of the votes cast by Shareholders (other than Make Success due to the Injunction) at the EGM;(ii) approval from the Stock Exchange granting the listing of, and permission to deal in the Adjusted Shares;(iii) the Company obtained all necessary consents and approvals regarding the Capital Reorganisation; and(iv) completion of the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares |
| 3 | Allotment and issue of Remuneration Shares | <ul style="list-style-type: none">(i) approvals from more than 50% of the votes cast by Shareholders (other than Make Success due to the Injunction) at the EGM;(ii) approval from the Stock Exchange granting the listing of, and permission to deal in the Remuneration Shares;(iii) completion of the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares; and(iv) completion of the Capital Reorganisation |

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| Sequence | Description of events | Conditions |
|----------|-----------------------|---|
| 4 | Open Offer | <ul style="list-style-type: none">(i) approvals from more than 50% of the votes cast by Shareholders (other than Make Success due to the Injunction and Bumper East) at the EGM;(ii) approval from the Stock Exchange granting the listing of, and permission to deal in the Offer Shares;(iii) completion of the Capital Reorganisation;(iv) the waiver pursuant to Rule 7 of the Share Buy-backs Code having been granted by the Executive and not having been withdrawn; and(v) the fulfillment of conditions disclosed under section headed “The Underwriting Agreement – Conditions precedent to the Underwriting Agreement” |

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The buy-back of the Consideration Shares (i.e. 236,363,636 Shares) by the Company from Make Success constitute an off-market share buy-back under the Share Buy-backs Code. The implementation of the Share Buy-backs under the Settlement Deed is conditional upon (i) approvals from at least 75% of the votes cast by the Independent Shareholders at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder pursuant to the Share Buy-backs Code; and (ii) the approval from the Executive in relation to the Share Buy-backs having been obtained. Assuming all the conditions of the Share Buy-backs have fulfilled, the Share Buy-backs could proceed to completion even if the court approval on the discontinuation of the HCA64/2012 Action is not obtained.

The discharge and release of all the claims and/or counterclaims that each of the Company and Make Success has or may have against each other under the HCA64/2012 Action is subject to and shall take place upon obtaining the court's approval on the release and discharge of the HCA64/2012 Action. As advised by the legal adviser of the Company, the discontinuation of the HCA64/2012 Action between the Company and Make Success will not be legally effective without obtaining the approval from the court.

Completion of the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares are the prerequisite of the Capital Reorganisation, the allotment and issue of Remuneration Shares and the Open Offer. The Capital Reorganisation, the allotment of Remuneration Shares and the Open Offer are not conditional upon the completion of all events contemplated under the Settlement Deed save for the Share Buy-backs. In other words, except for the completion of the Share Buy-backs, none of the completion of the other events contemplated under the Settlement Deed, including the discontinuation of the HCA64/2012 Action having been approved by the court, is a prerequisite of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer.

Following the approval from at least 75% of the votes cast by the Independent Shareholders at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder pursuant to the Share Buy-backs Code, (i) all the Consideration Shares will be bought back by the Company from Make Success and be cancelled; (ii) Make Success shall surrender and the Company shall cancel all the Promissory Notes and all the Convertible Bonds; and (iii) the Group will cease to have any equity interest in any companies in the Yield Rise Group. In addition, subject to the court's approval, all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely.

If the approval from the Independent Shareholders at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder pursuant to the Share Buy-backs Code cannot be obtained on or before the expiry of 9 months (i.e. 19 March 2019) from the date of the Settlement Deed (or such other later date to be mutually agreed by the Company and Make Success in writing), the Settlement Deed shall cease and determine (save as and except such clauses stated in the

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Settlement Deed which shall continue to have full force and effect) and thereafter no party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof. Assuming the Independent Shareholders' approval is obtained at the EGM, it is expected that the completion of all the events contemplated under the Settlement Deed shall take place on the following Business Day after the date of the EGM except for the discontinuation of the HCA64/2012 Action which is expected to take place within one month from the date of the EGM. As such, it is expected that the completion of the Settlement Deed shall take place within one month from the date of the EGM.

As at the Latest Practicable Date, 927,563,636 Shares had been issued and were fully paid or credited as fully paid by the Company. Immediately upon completion of the cancellation of all the Consideration Shares, the number of issued Shares will be reduced to 691,200,000 Shares.

The Consideration Shares will be bought back by the Company from Make Success free and clear of any encumbrances and together with all rights attaching to them on or after completion of the Share Buy-backs (including the right to receive any dividends or other distributions which are declared, made or paid on or after completion of the Share Buy-backs).

Information on Make Success

Make Success is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. Make Success was the vendor under the Acquisition Agreement, who sold the entire issued share capital of Yield Rise to the Company. The entire issued share capital of Make Success is owned by Mr. Zhang Xinyu.

As at the Latest Practicable Date, Make Success holds 236,363,636 Shares which represents approximately 25.48% of the existing total issued share capital of the Company.

Financial effects of the Settlement Deed

After the completion of the acquisition of Dan Tien Port project in May 2011, the management became aware of the problem about Dan Tien Port project. Therefore, in January 2012, the Group commenced litigation against Make Success and certain parties involved in the acquisition to claim for the damages and rescission of the agreement for breach of the agreement and misrepresentation made by them and repayment of consideration. Therefore, the Directors are in the view that it is appropriate to de-recognise the investment in Yield Rise Group, the Promissory Notes and the Convertible Bonds.

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Since the Promissory Notes and the Convertible Bonds issued under the Acquisition Agreement had not been recognised in the consolidated financial statements of the Group and the financial statements of the Yield Rise Group had not been consolidated into accounts of the Company, save for the reduction of the issued share capital of the Company, the Settlement Deed will not materially affect the financial position of the Group.

If the transactions contemplated under the Resumption Proposal had completed on 30 June 2018, (i) the total assets would be increased by approximately 58.57% from approximately RMB395.68 million to approximately RMB627.45 million; (ii) the total liabilities would remain unchanged at approximately RMB156.37 million; (iii) the equity attributable to owners of the Company would increase by approximately 127.44% from approximately RMB181.87 million to approximately RMB413.64 million; and (iv) the working capital (i.e. current assets minus current liabilities) would increase by approximately 238.35% from approximately RMB97.24 million to approximately RMB329.01 million.

It is expected that, on a pro forma basis, the Share Buy-backs will not have financial impact on the results of the Group and the loss attributable to owners of the Company for the six months ended 30 June 2018 would remain unchanged at approximately RMB4.69 million.

On a per Share basis, immediately after the Share Buy-backs becoming effective but before the completion of the Capital Reorganisation, as the number of issued Shares would decrease from 927,563,636 to 691,200,000, the loss per Share for the six months ended 30 June 2018 would increase by approximately 33.33% from approximately RMB0.51 cents to approximately RMB0.68 cents, and the net assets per Share would increase by approximately 34.62% from approximately RMB0.26 to approximately RMB0.35.

Reasons for and benefits of the Settlement Deed

The purpose of entering into the Settlement Deed is to resolve the matter of Dan Tien Port project in Vietnam.

According to the pleadings in the HCA64/2012 Action, the then management of the Company pleaded that the consideration for the acquisition of Yield Rise (which indirectly holds a 70% attributable interest in the Dan Tien Port project) was based on an inflated valuation of the fair value of the Dan Tien Port as at 31 October 2010 prepared under a valuation report dated 13 April 2011, which was arrived at by using false and/or misleading information. The Board believes that it is not commercially viable for the Company to develop the Dan Tien Port project based on an inflated valuation.

In addition, the Board considers that the Company is unable to continue the development of the Dan Tien Port project due to the following reasons:

- (i) the Group does not have sufficient fund and has been unable to raise fund for investing into the Dan Tien Port project following the suspension of trading in its Shares since 2012;

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- (ii) the Company is unable to identify appropriate experts to manage the Dan Tien Port since the acquisition of the same;
- (iii) the Company has been unable to exercise control in the Dan Tien Port project since the acquisition of the same; and
- (iv) it is not in the interest of the Company to incur additional legal expenses to pursue the claim against Make Success and other relevant parties having considered the advice from its legal advisers.

As the Company has been unable to exercise control in Dan Tien Port project since the acquisition of the same, the Company has no information on the current status of the Dan Tien Port project. As such, and together with the doubt of the commercial viability in developing the Dan Tien Port project and other reasons stated above, the Company has decided to cease the development of the Dan Tien Port project. Upon completion of the Settlement Deed, (i) the Group will cease to have any equity interest in any companies in the Yield Rise Group; (ii) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes and all the Convertible Bonds; and (iv) all the Consideration Shares shall be bought back by the Company under the Share Buy-backs and be cancelled.

In addition, the Share Buy-backs will increase the net assets value per Adjusted Share and create greater shareholder value which is in the interest of the Shareholders.

The Directors consider that the Settlement Deed and the transactions contemplated thereunder are able to (i) relieve the Group from the obligations under the Acquisition Agreement and discontinue any further capital commitment to the Dan Tien Port project; and (ii) improve the financial position of the Group.

The Directors (excluding all the members of the Independent Board Committee whose view will be expressed after considering the advice from the Independent Financial Adviser) are of the view that the Settlement Deed and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Implication under the Share Buy-backs Code

The Share Buy-backs constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-backs by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

Completion of the Share Buy-backs (one of the events that would take place under the implementation of the Settlement Deed) is subject to the condition that the Share Buy-backs having been approved by the Executive. Therefore, the

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Company will not proceed with the Share Buy-backs unless the Executive approves the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval by the Executive will be granted.

As required by the Share Buy-backs Code, Make Success, Bumper East and the parties acting in concert with each of them will abstain from voting on the resolution(s) to be proposed at the EGM for approving the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder.

Pursuant to Rule 7 of the Share Buy-backs Code, a company shall not announce or engage in a distribution of shares, which involves raising of capital, following the announcement of a share buy-back for the period beginning on the date of such announcement and ending on the 31st day immediately following completion or withdrawal of the share buy-back. Any person proposing to engage in a share distribution involving raising of capital during the period contemplated by Rule 7 of the Share Buy-backs Code would require consent from the Executive. An application has been made to the Executive for its consent to waive such restriction under Rule 7 of the Share Buy-backs Code in relation to the Open Offer. The Executive may or may not grant its consent to such waiver application.

II. PROPOSED CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares of a nominal value of HK\$0.10 each, of which 927,563,636 Shares had been issued and were fully paid or credited as fully paid. Immediately upon the completion of the Share Buy-backs and the cancellation of all the Consideration Shares, the number of issued Shares will be 691,200,000.

The Company proposes to implement, subject to the approval by the Shareholders (other than Make Success due to the Injunction), the Capital Reorganisation. The Capital Reorganisation will comprise:

- (i) Share Consolidation: every two (2) issued and unissued Shares of a nominal value of HK\$0.10 each in the capital of the Company will be consolidated into one (1) Adjusted Share of a nominal value of HK\$0.20, such that following such consolidation, the Company's authorised share capital shall be HK\$200,000,000 divided into 1,000,000,000 Shares of a nominal value of HK\$0.20 each. Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the EGM, there will be 345,600,000 Adjusted Shares of a nominal value of HK\$0.20 each in issue which are fully paid or credited as fully paid;
- (ii) Authorised Share Capital Increase: the authorised share capital of the Company is proposed to be increased to HK\$800,000,000 divided into 4,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each, by the creation of 3,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each after the Share Consolidation becoming effective; and
- (iii) Change in Board Lot: as at the Latest Practicable Date, the Shares are traded in board lots of 4,000 Shares. It is proposed that the Adjusted Shares will be changed to be traded in board lots of 10,000 Adjusted Shares.

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Conditions precedent of the Capital Reorganisation

The implementation of the Capital Reorganisation is conditional upon:

- (a) the passing of the necessary resolution by the Shareholders (other than Make Success due to the Injunction) by way of poll at the EGM to approve the Capital Reorganisation;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares;
- (c) without prejudice to above, all necessary consents and approvals regarding the Capital Reorganisation having been obtained by the Company; and
- (d) completion of the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares.

The Capital Reorganisation is expected to become effective simultaneously with the completion of the Share Buy-backs and the cancellation of all the Consideration Shares after the EGM.

Fractional entitlement to Adjusted Shares

Fractional Adjusted Shares, if any, arising from the Share Consolidation, will not be allocated to the Shareholders, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Effect of the Capital Reorganisation

The following table illustrates the share capital structure of the Company before and after the Capital Reorganisation:

| | Immediately before the Capital Reorganisation and after the Share Buy-backs and the cancellation of all the Consideration Shares | Immediately after the Capital Reorganisation |
|--------------------------|---|---|
| Authorised shares | 2,000,000,000 Shares | 4,000,000,000 Adjusted Shares |
| Authorised share capital | HK\$200,000,000 | HK\$800,000,000 |
| Par value | HK\$0.10 | HK\$0.20 |
| Issued shares | 691,200,000 Shares | 345,600,000 Adjusted Shares |
| Issued share capital | HK\$69,120,000 | HK\$69,120,000 |

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Other than the expenses incurred in the Capital Reorganisation, the implementation of the Capital Reorganisation will not alter the underlying assets, business operation or financial position of the Group, or affect the interests of the Shareholders.

Reasons for and benefits of the Capital Reorganisation

The purposes of the Capital Reorganisation are to regularise the financial position and capital needs of the Company (and its subsidiaries) and to ensure that the Company's share capital accurately reflects the Company's available assets.

The Capital Reorganisation, including but not limited to, the Share Consolidation and the Change in Board Lot, will allow the value of each board lot to be increased to HK\$2,000 and enable the Company to satisfy the minimum value per board lot of HK\$2,000 as required under the "Guide on Trading Arrangements for Selected Types of Corporate Actions" published by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (Updated on 25 July 2016). The Authorised Share Capital Increase will provide the Company with greater flexibility for future fundraising by way of equity issuance as and when the circumstances arise. Accordingly, the Directors consider that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares, the Company has appointed Yicko Securities to provide matching services for sale and purchase of odd lots of Adjusted Shares at the relevant market price per Adjusted Share for Shareholders, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Adjusted Shares to make up a full board lot, or to dispose of their holding of odd lots of the Adjusted Shares from date to date. Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who has any doubt about the odd lots arrangement, is recommended to consult his/her/its own professional advisers.

Free exchange of share certificates and trading arrangement

Subject to the Capital Reorganisation becoming effective, Shareholders may submit share certificates for existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited, is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 4:30 p.m. on any Business Day during the period from Tuesday, 16 October 2018 to Wednesday, 21 November 2018 (both dates inclusive), to exchange, at the expense of the Company, for new share certificates of the Adjusted Shares. It is expected that the new share certificates for the Adjusted Shares will be available for collection within 10 Business Days after the submission of the existing share certificates to the Registrar for exchange. Thereafter, the share certificates for the existing Shares will cease to be valid for delivery, trading and settlement purpose but will remain

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effective as documents of legal title and will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) per existing share certificate cancelled or new share certificate issued (whichever is the higher) by the Shareholders. The existing share certificates are in blue colour and the new share certificates will be in orange colour.

III. ALLOTMENT AND ISSUE OF REMUNERATION SHARES

Pursuant to the engagement letter dated 3 November 2017 entered into between the Company and Veda Capital and having considered the financial position of the Company, it was agreed between the Company and Veda Capital that part of the professional fees amounted to HK\$800,000 charged by Veda Capital in respect of the Resumption will be settled by the allotment and issue of 4,000,000 Remuneration Shares to Veda Capital (or their respective nominees) at an issue price of HK\$0.20 per Adjusted Share, which is equivalent to the Offer Price, subject to and upon the approval by the Stock Exchange in respect of the Resumption.

Veda Capital is not a party acting in concert with any of the Shareholders. As at the Latest Practicable Date, Veda Capital is not a Shareholder.

Allotment and issue of the Remuneration Shares

Major terms of the Remuneration Shares are set out as follows:

| | |
|---|---|
| Amount to be settled by allotment and issue of the Remuneration Shares: | HK\$800,000 |
| Issue price: | HK\$0.20 per Remuneration Share, which is equivalent to the Offer Price |
| Number of Remuneration Shares: | 4,000,000 Remuneration Shares in aggregate |

For the avoidance of doubt, Veda Capital is entitled to subscribe for the Offer Shares under the Open Offer since the Remuneration Shares will be allotted and issued before the Record Date.

The allotment and issue of Remuneration Shares is conditional upon:

- (a) the passing of the necessary resolution by the Shareholders (other than Make Success due to the Injunction) by way of poll at the EGM to approve the allotment and issue of the Remuneration Shares;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Remuneration Shares;

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- (c) completion of the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares; and
- (d) completion of the Capital Reorganisation.

Assuming (i) the Capital Reorganisation; (ii) the Share Buy-backs; and (iii) the cancellation of all the Consideration Shares becoming effective, the Remuneration Shares represents:

- (i) approximately 1.16% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 1.14% of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares; and
- (iii) approximately 0.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares and the Offer Shares.

The issue price of HK\$0.20 per Remuneration Share represents:

- (i) a discount of approximately 18.70% to the equivalent closing price of HK\$0.246 per Adjusted Share based on the closing price of the Shares of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16.67% to the equivalent average closing price of approximately HK\$0.240 per Adjusted Share based on the average of the closing price of approximately HK\$0.120 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

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- (v) a discount of approximately 67.74% to the audited net assets value per Adjusted Share of approximately HK\$0.62 based on the audited consolidated equity attributable to owners of the Company of approximately RMB186.79 million (equivalent to approximately HK\$214.81 million) as at 31 December 2017 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective; and
- (vi) a discount of approximately 67.21% to the unaudited net assets value per Adjusted Share of approximately HK\$0.61 based on the unaudited consolidated equity attributable to owners of the Company of approximately RMB181.87 million (equivalent to approximately HK\$209.15 million) as at 30 June 2018 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective.

The issue price of HK\$0.20 per Remuneration Share is equivalent to the Offer Price and was determined after arm's length negotiations among the Company and Veda Capital taking into account (i) the closing price of the Shares on the Last Trading Day; (ii) the expected financial needs of the Company; and (iii) the prolonged suspension of trading in the Shares. The Directors consider that the issue price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IV. THE OPEN OFFER

The Company proposes to conduct the Open Offer upon the Capital Reorganisation becoming effective to raise gross proceeds of approximately HK\$279.68 million before expenses by issuing 1,398,400,000 Offer Shares at the Offer Price of HK\$0.20 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share in issue on the Record Date (assuming that (i) no Shares or, after the Capital Reorganisation becoming effective, Adjusted Shares to be issued or bought back by the Company from the Latest Practicable Date and up to the Record Date; and (ii) all the Consideration Shares having been cancelled).

Issue statistics of the Open Offer

| | |
|--------------------------|---|
| Basis of the Open Offer: | four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date in respect of the Open Offer |
| Offer Price: | HK\$0.20 per Offer Share |
| Number of Offer Shares: | 1,398,400,000 Offer Shares |

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Undertakings

As at the Latest Practicable Date, 100,000,000 Shares are held by each of Aspial Investment, a substantial Shareholder, which is wholly owned by Mr. Chen Wei, and Bumper East, a substantial Shareholder, which is wholly owned by Mr. Lin Jinhe, being an executive Director, representing approximately 10.78% of the issued share capital of the Company. Pursuant to the Irrevocable Undertakings (as amended and supplemented by the Supplemental Undertakings), Aspial Investment and Bumper East have respectively irrevocably undertaken to (i) remain as the beneficial owner of 100,000,000 Shares or, after the Capital Reorganisation becoming effective, 50,000,000 Adjusted Shares from the date of the Irrevocable Undertakings up to and including the Latest Time for Acceptance and (ii) subscribe or procure subscription (in the event that HKSCC Nominees Limited is the registered owner of the 100,000,000 Shares or, as the case may be, 50,000,000 Adjusted Shares) for 200,000,000 Offer Shares, being their respective entitlements to the Offer Shares.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, the Board has not received any information or irrevocable undertakings from the Shareholders of their intention to take up the Offer Shares under the Open Offer.

The 200,000,000 Shares currently owned by Aspial Investment and Bumper East were transferred by Mayer Corporation Development Limited (a former substantial Shareholder) in early 2012.

In mid-2009, Mayer Corporation Development Limited authorised a company, namely Capital Wealth Finance Limited (a company incorporated in Hong Kong), to sell the 200,000,000 Shares on its behalf. In early 2012, Capital Wealth Finance Limited procured each of Aspial Investment and Bumper East to acquire 100,000,000 Shares from Mayer Corporation Development Limited.

Save for the common interest in the Company through their respective shareholding, Bumper East and Aspial Investment have no other relationship with each other.

As at the Latest Practicable Date, the outstanding amount of the Working Capital Loan due to Bumper East by the Company was nil and the Company undertakes that it will not draw down any amount from the Working Capital Loan.

The Offer Shares

Assuming (i) the Share Buy-backs; (ii) the cancellation of all the Consideration Shares; and (iii) the Capital Reorganisation becoming effective, and there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, 1,398,400,000 Offer Shares to be allotted and issued represents:

- (i) approximately 4.04 times of the issued share capital of the Company as at the Latest Practicable Date;

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- (ii) 4 times of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares; and
- (iii) 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares and the Offer Shares.

The Offer Price

The Offer Price of HK\$0.20 per Offer Share represents:

- (i) a discount of approximately 18.70% to the equivalent closing price of HK\$0.246 per Adjusted Share based on the closing price of the Shares of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16.67% to the equivalent average closing price of approximately HK\$0.240 per Adjusted Share based on the average of the closing price of approximately HK\$0.120 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 67.74% to the audited net assets value per Adjusted Share of approximately HK\$0.62 based on the audited consolidated equity attributable to owners of the Company of approximately RMB186.79 million (equivalent to approximately HK\$214.81 million) as at 31 December 2017 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective; and
- (vi) a discount of approximately 67.21% to the unaudited net assets value per Adjusted Share of approximately HK\$0.61 based on the unaudited consolidated equity attributable to owners of the Company of approximately RMB181.87 million (equivalent to approximately

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HK\$209.15 million) as at 30 June 2018 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective.

The Offer Price of HK\$0.20 per Offer Share is equivalent to the issue price of the Remuneration Shares and was determined having taken into account (i) the closing price of the Shares on the Last Trading Day; (ii) the expected financial needs of the Company; and (iii) the prolonged suspension of trading in the Shares.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, no Application Forms and the EAFs will be sent to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be an Excluded Shareholder. Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, any transfer of the Shares (with the relevant Share certificates) must be lodged with the Registrar for registration by 4:30 p.m. on Friday, 19 October 2018. The address of the Registrar, Computershare Hong Kong Investor Services Limited, is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open offer.

Taking into the consideration of the effects of the Share Buy-backs and the cancellation of all the Consideration Shares, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer, the theoretical dilution effect of the Open Offer is approximately 14.96% which is the discount of the theoretical diluted price to benchmarked price of the equivalent closing price of HK\$0.246 per Adjusted Share based on the closing price of the Shares of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day.

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Excluded Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong (to the extent required under the applicable laws).

The Directors will make enquiries pursuant to Rule 13.36(2) of the Listing Rules as to the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange in respect of the issue of the Offer Shares to Overseas Shareholders whose address on the register of members of the Company is in a place outside Hong Kong on the Record Date. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders.

The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus. The Company will send copies of the Prospectus for information only, but will not send any Application Form and EAF, to the Excluded Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of allotment

The basis of the allotment shall be four (4) Offer Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date at the Offer Price. Application for all or any part of a Qualifying Shareholder's allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for. The Directors (excluding all the members of the Independent Board Committee whose view will be expressed after considering the advice from the Independent Financial Adviser) consider the terms of the Open Offer, including the Offer Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Closure of register of members of the Company

The register of members of the Company will be closed from Monday, 22 October 2018 to Friday, 26 October 2018, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

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Certificates of the Offer Shares and refund cheques

Subject to fulfilment of the conditions of the Open Offer, certificates for the fully-paid Offer Shares are expected to be despatched on or before Tuesday, 20 November 2018 to those entitled thereto by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be despatched on or before Tuesday, 20 November 2018 by ordinary post at the respective Shareholders' own risk.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares (if any) are also expected to be posted on or before Tuesday, 20 November 2018 by ordinary post to the applicants at their own risk.

Excess application for the Offer Shares

Qualifying Shareholders shall be entitled to apply for entitlement of Offer Shares created which are not taken up by other Qualifying Shareholders in excess of their own assured allotments but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. Application may be made by Qualifying Shareholders by completing the EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors will, upon consultation with the Underwriters, allocate the excess Offer Shares at their discretion on a fair and equitable basis as far as practicable, according to the principle that any excess Offer Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Offer Shares applied for by all such Qualifying Shareholders.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Offer Shares should note that there is no guarantee that such odd lots of the Offer Shares will be topped up to create whole board lots pursuant to applications for excess Offer Shares.

Any remaining Underwritten Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriters.

In the event that the Board notes unusual patterns of excess Offer Shares applications and has reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Offer Shares may be rejected at the sole discretion of the Board.

Shareholders with their Shares held by a nominee (including HKSCC Nominees Limited) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC Nominees Limited) should note that the aforesaid arrangements in relation to the allocation of excess Offer Shares will not be extended to them individually. Shareholders should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names prior to the book closure period and apply for the Offer Shares themselves.

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Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of the members of the Company on the Record Date must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Friday, 19 October 2018.

Fractional entitlements

Entitlement to Offer Shares will be rounded down to the nearest whole number and no fractional entitlements or allotments are expected to arise as a result of the Open Offer.

THE UNDERWRITING AGREEMENT

The Board is pleased to announce that 20 July 2018 (after trading hours), the Company entered into the Underwriting Agreement (as amended and supplemented by the Supplemental Agreement) with the Underwriters in relation to the underwriting and certain other arrangements in respect of the Open Offer. Details of the Underwriting Agreement are set out as follows:

Date: 20 July 2018 (after trading hours)

Underwriters: (i) Yicko Securities;
(ii) President Securities; and
(iii) Kam Fai Securities

The Underwriters, and their respective associates, (i) are Independent Third Parties and are not acting in concert with the Company; and (ii) are not existing Shareholder nor parties acting in concert with any of the Shareholders. Each of the Underwriters and their respective associates is not connected nor acting in concert with any other Underwriters.

The Underwriters shall severally subscribe for the Untaken Shares set out in (i) to (iii) below for which they are called upon to subscribe in accordance with the terms of the Underwriting Agreement in the following order:

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- (i) firstly, Yicko Securities shall underwrite up to 750,000,000 Untaken Shares, equivalent to approximately 42.91% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer (based on the maximum number of 1,398,400,000 Offer Shares to be issued pursuant to the Open Offer, assuming no further new Shares or, after the Capital Reorganisation becoming effective, new Adjusted Shares are issued (other than the Offer Shares) and no buy-back of Shares or, after the Capital Reorganisation becoming effective, Adjusted Shares on or before the Record Date);
- (ii) secondly, President Securities shall underwrite up to 100,000,000 Untaken Shares that are not underwritten by Yicko Securities pursuant to (i) above, equivalent to approximately 5.72% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer (based on the maximum number of 1,398,400,000 Offer Shares to be issued pursuant to the Open Offer, assuming no further new Shares or, after the Capital Reorganisation becoming effective, new Adjusted Shares are issued (other than the Offer Shares) and no buy-back of Shares or, after the Capital Reorganisation becoming effective, Adjusted Shares on or before the Record Date); and
- (iii) thirdly, Kam Fai Securities shall underwrite all the remaining balance of the Untaken Shares that are not underwritten by Yicko Securities and President Securities pursuant to (i) and (ii) above, equivalent to approximately 8.49% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer (based on the maximum number of 1,398,400,000 Offer Shares to be issued pursuant to the Open Offer, assuming no further new Shares or, after the Capital Reorganisation becoming effective, new Adjusted Shares are issued (other than the Offer Shares) and no buy-back of Shares or, after the Capital Reorganisation becoming effective, Adjusted Shares on or before the Record Date).

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In the event of the Underwriters being called upon to subscribe for or procure subscribers of the Untaken Shares pursuant to the Underwriting Agreement, each of the Underwriters will not, and will procure each of the subscribers of its respective Untaken Shares (including any direct or indirect sub-underwriters) will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 30% or more of the voting rights of the Company immediately upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer.

Pursuant to (i) above, Yicko Securities shall underwrite up to 750,000,000 Untaken Shares, equivalent to approximately 42.91% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer. As at the Latest Practicable Date, Yicko Securities has entered into agreements with nine Investors respectively, pursuant to which the Investors agreed to take up and subscribe for an aggregate of 578,600,000 Untaken Shares, being part of the Untaken Shares to be underwritten by Yicko Securities, equivalent to approximately 33.10% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer. None of the Investors will be interested in 10% or more of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer.

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Details of the agreements entered into between Yicko Securities and each of the nine Investors are set out below:

| Investor(s) | Number of the Untaken Shares agreed to subscribe | Percentage of the enlarged issued share capital of the Company upon completion of Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer <i>(Approximately)</i> |
|-------------|--|--|
| Investor 1 | 600,000 | 0.03% |
| Investor 2 | 20,000,000 | 1.14% |
| Investor 3 | 16,750,000 | 0.96% |
| Investor 4 | 4,250,000 | 0.24% |
| Investor 5 | 15,000,000 | 0.86% |
| Investor 6 | 20,000,000 | 1.14% |
| Investor 7 | 170,000,000 | 9.73% |
| Investor 8 | 162,000,000 | 9.27% |
| Investor 9 | 170,000,000 | 9.73% |
| | | |
| Total | <u>578,600,000</u> | <u>33.10%</u> |

The Directors confirm that (i) each of the Investors and the parties acting in concert with it will not in aggregate be interested in 10% or more of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer; and (ii) each of the Investors shall be a third party independent of, not connected and acting in concert with, the Company and its connected persons, the Underwriters, any other Investor(s), and any other Shareholder(s).

Number of the Offer Shares to be fully underwritten by the Underwriters on a several basis:

All of the Offer Shares (other than the Offer Shares to be taken up by Aspial Investment and Bumper East under the Irrevocable Undertakings), being 998,400,000 Offer Shares.

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Underwriting Commission: The Underwriters will charge 2.50% of the aggregate Offer Price in respect of the actual number of Offer Shares which they have respectively committed to underwrite.

The commission rate was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the market rate and the long suspension of the Shares, and the Directors consider that the commission rate is fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions precedent to the Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement are conditional upon fulfilment of the following conditions:

- (i) the delivery of the Prospectus Documents to the Stock Exchange on or before the Prospectus Posting Date and the issue by the Stock Exchange of a certificate of authorisation of registration on or before the Prospectus Posting Date;
- (ii) the Registrar of Companies in Hong Kong registering the Prospectus Documents together with any requisite accompanying documents under the Companies (WUMP) Ordinance;
- (iii) the Listing Committee of the Stock Exchange granting (either unconditional or subject to allotment and despatch of the share certificates in respect thereof or such conditions as the Company may reasonably accept), the listing of, and permission to deal in, the Adjusted Shares and the Offer Shares, and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (iv) the Executive having granted and not having withdrawn the waiver pursuant to Rule 7 of the Share Buy-backs Code;
- (v) the Prospectus Documents being filed with the Registrar of Companies in the Cayman Islands on or about the Prospectus Posting Date (if required);
- (vi) printed copies of each of the Prospectus Documents being posted to the Qualifying Shareholders and printed copies of the Prospectus stamped "For information only" being posted to Excluded Shareholders, in each case, on the Prospectus Posting Date;

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- (vii) the Share Buy-backs and the Capital Reorganisation having been completed;
- (viii) the passing by the Shareholders (other than Make Success and Bumper East) at the EGM of the resolution to approve the Open Offer;
- (ix) the Underwriters having satisfied, in their absolute discretion, with the due diligence exercise to be conducted by the Underwriters or agents of the Underwriters on the legal, business and financial aspects of the Group;
- (x) compliance by the Company with all its obligations in relation to the making of the Open Offer and the allotment and offer of Offer Shares under the Underwriting Agreement having taken place by the times specified;
- (xi) receipt by the Underwriters (in a form and substance satisfactory to them) of all the relevant documents on or before such time as specified in the Underwriting Agreement; and
- (xii) no matter having arisen prior to the Latest Time for Termination which might reasonably be expected to give rise to a claim under the Underwriting Agreement and which, in any such case, the Underwriters, consider in their absolute discretion (acting in good faith) to be material in the context of the Open Offer or the underwriting of the Offer Shares.

If any of the above conditions is not fulfilled, or waived by the Underwriters, at or before the time specified in the relevant condition or such later time as may be extended pursuant to the Underwriting Agreement, the provision of the Underwriting Agreement (save and except for the clauses stated in the Underwriting Agreement which shall remain in full force and effect) shall from such time cease to have any effect and no party shall have any claim against any other party, except in respect of (i) claims arising out of any antecedent breach of any of the provisions of the Underwriting Agreement; (ii) all costs, fees, charges and expenses as stated in the Underwriting Agreement; and (iii) claims arising out of the continuing provisions mentioned in the Underwriting Agreement.

The Company undertakes to use its best endeavours to procure that all of the above conditions will be fulfilled by the dates and times specified in the above conditions or by such later time as may be extended pursuant to the Underwriting Agreement, and no ground for termination pursuant to the Underwriting Agreement will arise.

The Underwriters may in their absolute discretion (i) grant extension for the fulfilment of any of the above conditions for such longer time as may be determined by them; or (ii) waive (in whole or in part) any of the above conditions (other than the conditions set out in (i)-(viii) and (x) above and which are not waivable), by giving notice to the Company at or before the time specified in the relevant condition.

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Termination of the Underwriting Agreement

The Underwriters shall have the absolute right, after reasonable consultation with the Company as the Underwriters in their sole and absolute discretion sees fit, by giving notice to the Company, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:

- (i) any breach, considered by the Underwriters in their reasonable discretion to be material in the overall context of the Open Offer, of any of the warranties or any other provisions of the Underwriting Agreement; or
- (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by the Underwriters in their reasonable discretion to be material in the overall context of the Open Offer; or
- (iii) any statement contained in the Prospectus, considered by the Underwriters in their reasonable discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any material respect; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Underwriting Agreement; or
- (v) any adverse change in the business or the financial or trading position of any member of the Group considered by the Underwriters in their reasonable discretion to be material; or
- (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:
 - (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or
 - (b) the introduction of any new law or any material change in existing laws, or any material change in the interpretation or application of such laws by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or
 - (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

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- (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in any class of shares of the Company or the transfer or dividend payment in respect of any class of shares of the Company; or
- (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States or by the European Union (or any of its members) on the PRC; or
- (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States; or
- (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the PRC), or between Hong Kong dollars and Renminbi; or
- (i) any litigation or claim of material importance being threatened or instigated against any member of the Group; or
- (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

which, in the reasonable opinion of the Underwriters:

- (i) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
- (ii) has, or will have, or could be expected to have, a material adverse effect on the success of the Open Offer; or
- (iii) so material as to make it inadvisable, inexpedient or impractical to proceed with the Open Offer.

Upon the giving of the termination notice, the provisions of the Underwriting Agreement (save and except for the clauses stated in the Underwriting Agreement which shall remain in full force and effect) shall from such time cease to have any effect and no party shall have any claim against any other party, except in respect of (i) claims arising out of any antecedent breach of any of the provisions of the Underwriting Agreement; (ii) all costs, fees, charges and expenses as stated in the Underwriting Agreement; and (iii) claims arising out of the continuing provisions mentioned in the Underwriting Agreement.

Any such notice may be served by the Underwriters to the Company prior to the Latest Time for Termination. Upon termination of the Underwriting Agreement, the Open Offer will not proceed.

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Reasons for and use of proceeds from the Open Offer

The Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so.

The gross proceeds and net proceeds (after deducting the underwriting commission) from the Open Offer are approximately HK\$279.68 million and approximately HK\$274.69 million respectively. The net proceeds from the Open Offer of approximately HK\$274.69 million are intended to be utilised as to (i) approximately HK\$48.77 million for the settlement of legal, consultancy and professional fees and other costs and expenses arising from the Resumption; (ii) approximately HK\$78.70 million for the repayment of outstanding loans as at the Latest Practicable Date (the “**Outstanding Loans**”); (iii) approximately HK\$5.45 million for the settlement of directors’ remuneration payable (except for the director’s remuneration payable to Mr. Lin Jinhe, being an executive Director and the ultimate beneficial owner of Bumper East which is a substantial Shareholder) as at the Latest Practicable Date; (iv) approximately HK\$93.73 million for the capital expenditure for Guangzhou Mayer; and (v) approximately HK\$48.04 million for the general working capital of the Group.

The details of the Outstanding Loans as at the Latest Practicable Date are set out as follows:

| Creditors | Creditors’ profile | Nature | Amount | Maturity date |
|----------------------------------|---|-----------------|------------------|---------------|
| Xu Lidi | Executive Director | Director’s loan | HK\$2,000,000 | 8/8/2018 |
| | | Director’s loan | HK\$1,000,000 | 17/9/2018 |
| | | Director’s loan | HK\$1,000,000 | 25/10/2018 |
| | | Director’s loan | HK\$1,000,000 | 18/12/2018 |
| | | Director’s loan | HK\$1,500,000 | 18/3/2019 |
| | | Director’s loan | HK\$600,000 | 18/6/2019 |
| | | Director’s loan | HK\$800,000 | 25/6/2019 |
| | | Director’s loan | HK\$500,000 | 4/7/2019 |
| | | Director’s loan | HK\$500,000 | 14/8/2019 |
| | | Director’s loan | HK\$500,000 | 9/9/2019 |
| Fine Day Asia Pacific Limited | A company incorporated in Hong Kong | Short term loan | HK\$500,000 | 9/5/2017 |
| | | Short term loan | HK\$14,420,000 | 22/6/2017 |
| | | Short term loan | HK\$1,000,000 | 19/3/2018 |
| | | Short term loan | HK\$1,500,000 | 26/4/2018 |
| | | Interest | HK\$2,611,200.00 | N/A |

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| Creditors | Creditors' profile | Nature | Amount | Maturity date |
|---|--|--|---|---------------|
| Fantast Way Group Limited | A company incorporated in the British Virgin Islands | Short term loan | HK\$5,000,000 | 9/9/2017 |
| | | Interest | HK\$750,000 | 9/9/2017 |
| Lai Yueh Hising | Former Director | Expenses paid on behalf of the Company | HK\$13,613,680.63 | N/A |
| Kwok Lap Wing | The loan from Mr. Kwok Lap Wing was arranged by a former director of Guangzhou Mayer and therefore his profile is unknown to the current Board | Long term loan | RMB10,000,000 (equivalent to approximately HK\$11,500,000) | 12/2/2019 |
| 河南清美三十四號建築裝飾工程有限公司 (Henan Qingmei No.34 Building Decoration Engineering Co., Ltd.*) | A company established in the PRC and principally engaged in building decoration | Short term loan | RMB5,000,000 (equivalent to approximately HK\$5,750,000) | 6/6/2018 |
| | | Short term loan | RMB1,000,000 (equivalent to approximately HK\$1,150,000) | 14/6/2018 |
| | | Short term loan | RMB10,000,000 (equivalent to approximately HK\$11,500,000) | 4/9/2018 |
| Total: | | | Approximately <u>HK\$78,700,000</u> | |

* Save for the loan from Mr. Kwok Lap Wing, all the Outstanding Loans are unsecured

As at the Latest Practicable Date, the Directors did not aware of any demand for repayment of the Outstanding Loans from any of the creditors and none of the creditors was a Shareholder.

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Capital expenditure requirement of Guangzhou Mayer for 12 months after completion of the Open Offer:

| Capital expenditure | Amount |
|--|-------------------------|
| | <i>RMB</i> |
| | <i>(Approximately)</i> |
| Factory repair and modifications | 4,930,000 |
| Workshop environmental modifications | 860,000 |
| Strip processing facility modifications & enhancement | 11,200,000 |
| Steel pipes production facility modifications & enhancement | 50,310,000 |
| Vehicle exhaust pipe production & material analysis system supporting equipment and facility | 4,350,000 |
| Pipe fitting & other production facility | 9,800,000 |
| Office equipment | 50,000 |
| | <hr/> |
| | 81,500,000 |
| | (equivalent to |
| Total: | approximately |
| | <u>HK\$93,730,000</u>) |

For the proceeds of approximately HK\$48.04 million for the general working capital of the Group, (i) approximately HK\$39.14 million will be allocated to support the daily business operation of Guangzhou Mayer; and (ii) approximately HK\$8.90 million will be allocated to maintain the operation of the Company's office in Hong Kong, including the annual rent and rates of approximately HK\$0.60 million, the annual staff costs of approximately HK\$1.39 million, the general office and corporate expenses of approximately HK\$3.30 million and the professional expenses of approximately HK\$3.61 million.

After taking into consideration of the existing financial resources of the Group and the net proceeds from the Open Offer, the Directors consider that the proceeds allocated to the capital expenditure and general working capital will be sufficient for the coming 12 months.

The Directors (excluding all the members of the Independent Board Committee whose view will be expressed after considering the advice from the Independent Financial Adviser) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

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Implications under the Listing Rules

In accordance with Rule 7.24A(1) of the Listing Rules, a proposed open offer must be made conditional on minority shareholders' approval as set out in Rule 7.27A of the Listing Rules unless the securities will be issued by the listed issuer under the authority of a general mandate granted by shareholders in general meetings. As such, the Open Offer is subject to the approval of the Shareholders other than Bumper East (who shall abstain from voting in favour) at the EGM by way of poll. Make Success shall also abstain from voting on the relevant resolutions at the EGM due to the Injunction.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares, including the Remuneration Shares and the Offer Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares (including the Remuneration Shares and the Offer Shares) on the Stock Exchange, the Adjusted Shares (including the Remuneration Shares and the Offer Shares) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares (including the Remuneration Shares and the Offer Shares) on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Adjusted Shares (including the Remuneration Shares and the Offer Shares) will be admitted into CCASS.

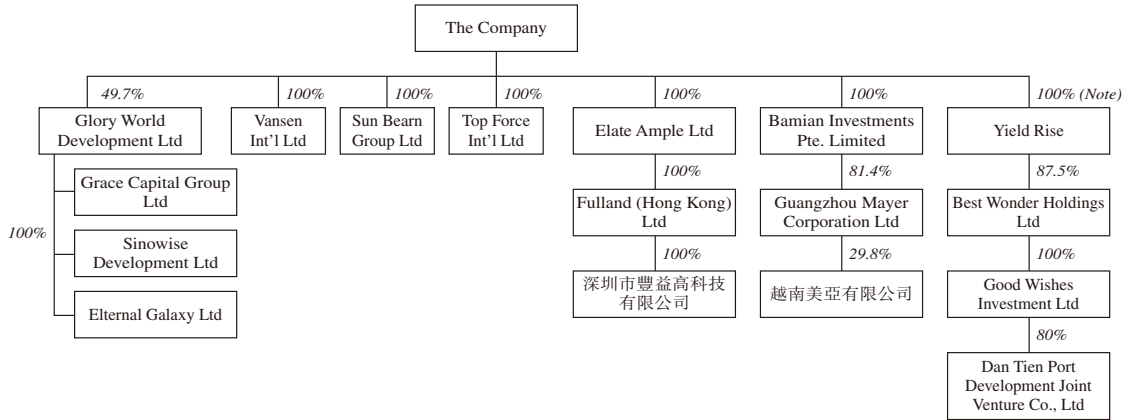
Dealings in the Adjusted Shares (including the Remuneration Shares and the Offer Shares) in board lots of 10,000 Adjusted Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

ORGANISATION STRUCTURE OF THE GROUP

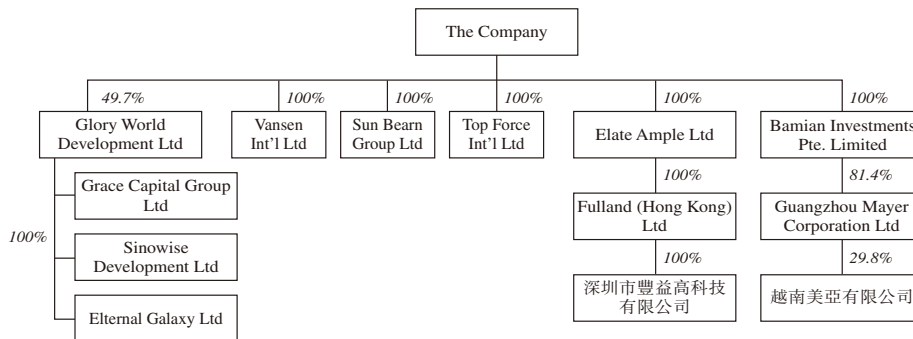
Set out below is the organisation structure of the Group immediately before and after completion of the Settlement Deed (if materialised):

Organisation structure of the Group immediately before completion of the Settlement Deed



Note: Following the acquisition of Yield Rise by the Company pursuant to the Acquisition Agreement, the Company was unable to exercise control over the Yield Rise Group. As a result, the financial statements of Yield Rise Group have never been consolidated in the Group's consolidated financial statements and the Company did not treat any member of Yield Rise Group as a subsidiary of the Company.

Organisation structure of the Group immediately after completion of the Settlement Deed



LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose, the following tables illustrate the shareholding of the Company upon completion of the transactions contemplated in the Circular:

(i) Assuming full acceptance of the Open Offer

| | As at the Latest Practicable Date | | (i) | | (ii) | | (iii) | | (iv-A) | | |
|------------------------------|-----------------------------------|---------------|--|---------------|------------------------|---------------|--|---------------|---|---------------|---|
| | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % | |
| | | | Immediately after the completion of the Share Buy-backs under the Settlement Deed and the Consideration Shares having been cancelled | | | | Immediately after (i) and the completion of the Capital Reorganisation | | Immediately after (ii) and the allotment and issue of the Remuneration Shares | | Immediately after (iii) and the Open Offer assuming full acceptance of the Offer Shares |
| Make Success | 236,363,636 | 25.48 | - | - | - | - | - | - | - | - | - |
| Bumper East | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 | |
| Aspial Investment | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 | |
| Public Shareholders: | | | | | | | | | | | |
| Existing public shareholders | 491,200,000 | 52.96 | 491,200,000 | 71.06 | 245,600,000 | 71.06 | 245,600,000 | 70.25 | 1,228,000,000 | 70.25 | |
| Veda Capital | - | - | - | - | - | - | 4,000,000 | 1.15 | 20,000,000 | 1.15 | |
| Total | 927,563,636 | 100.00 | 691,200,000 | 100.00 | 345,600,000 | 100.00 | 349,600,000 | 100.00 | 1,748,000,000 | 100.00 | |

LETTER FROM THE BOARD

(ii) Assuming no acceptance of the Open Offer by the Qualifying Shareholders (other than Bumper East and Aspial Investment)

| | As at the Latest Practicable Date | | (i) | | (ii) | | (iii) | | (iv-B) | |
|------------------------------|-----------------------------------|---------------|--|---------------|--|---------------|---|---------------|--|--------------------------|
| | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % |
| | | | Immediately after the completion of the Share Buy-backs under the Settlement Deed and the Consideration Shares having been cancelled | | Immediately after (i) and the completion of the Capital Reorganisation | | Immediately after (ii) and the allotment and issue of the Remuneration Shares | | Immediately after (iii) and the Open Offer assuming no acceptance of the Offer Shares by Shareholders (other than Bumper East and Aspial Investment) | |
| Make Success | 236,363,636 | 25.48 | - | - | - | - | - | - | - | - |
| Bumper East | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Aspial Investment | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Public Shareholders: | | | | | | | | | | |
| Existing public shareholders | 491,200,000 | 52.96 | 491,200,000 | 71.06 | 245,600,000 | 71.06 | 245,600,000 | 70.25 | 245,600,000 | 14.05 |
| Veda Capital | - | - | - | - | - | - | 4,000,000 | 1.15 | 4,000,000 | 0.23 |
| The Underwriters: | | | | | | | | | | |
| Yicko Securities | - | - | - | - | - | - | - | - | 171,400,000 | 9.81% |
| President Securities | - | - | - | - | - | - | - | - | 100,000,000 | 5.72% |
| Kam Fai Securities | - | - | - | - | - | - | - | - | 148,400,000 | 8.49% |
| Investors | - | - | - | - | - | - | - | - | 578,600,000 | 33.10% ^(Note) |
| Total | 927,563,636 | 100.00 | 691,200,000 | 100.00 | 345,600,000 | 100.00 | 349,600,000 | 100.00 | 1,748,000,000 | 100.00 |

Note: The Directors confirm that (i) each of the Investors and the parties acting in concert with it will not in aggregate be interested in 10% or more of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer; and (ii) each of the Investors shall be a third party independent of, not connected and acting in concert with, the Company and its connected persons, the Underwriters, any other Investor(s), and any other Shareholder(s).

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board. The Company is an investment holding company. The Group is principally engaged in the processing and manufacturing of steel sheets and steel pipes.

LETTER FROM THE BOARD

Financial information of the Group

The key financial information of the Company for the three financial years ended 31 December 2017 have been set out in the Appendix I to the Circular.

Disclaimer of opinion was issued by ZHONGHUI ANDA CPA Limited, the auditors of the Company, on the last published audited financial statements of the Company for the year ended 31 December 2017. Details of the disclaimer of opinion were set out in the Company's annual report for the year ended 31 December 2017 which were extracted in the Appendix I to the Circular.

1. *Opening balances and corresponding figures*

This audit qualification will be removed upon the below audit qualifications are removed.

2. *Limited accounting books and records of the Group*

Since completed accounting books and records of Guangzhou Mayer for the year ended 31 December 2017 are available for audit purpose and the auditors had attended the physical count of Guangzhou Mayer's inventories as at 31 December 2017, it is no longer as an audit issue for the year ended 31 December 2018. Therefore, there will be only an audit qualification on the comparative figures of the cost of goods sold for the year ending 31 December 2018. This audit qualification will be removed in the year ending 31 December 2019.

3. *Unconsolidation of Yield Rise Limited*

Based on the terms of the Settlement Deed, amongst others, Make Success shall surrender and the Company shall cancel all the Promissory Notes and the Convertible Bonds. The Company shall transfer the shares in Yield Rise to Make Success. Therefore, assuming the Settlement Deed has completed, there will not be any uncertainty in connection with the scope of consolidation thereafter. There will not be any impact to the Group's financial position for the year ending 31 December 2018.

However, as the Board is still unable to ascertain whether there is a departure from HKFRS 10 for period up to the date of EGM, there will be an audit qualification on the Group's profit or loss and other comprehensive income for the year ending 31 December 2018. For the year ending 31 December 2019, there will still an audit qualification on the comparative figures of the Group's profit or loss and other comprehensive income. This audit qualification will be removed in the year ending 31 December 2020.

LETTER FROM THE BOARD

4. *Available-for-sale financial assets*

After July 2017, the management of the Company had contacted the management of Vietnam Mayer and understands that they are not allowed to participate in the management of Vietnam Mayer and nominate representatives in the board of directors of Vietnam Mayer. This situation demonstrates that the Group is unable to exercise significant influence over Vietnam Mayer. Therefore, the accounting treatment for Vietnam Mayer as available-for-sale financial asset is appropriate. It is no longer an audit issue thereafter. For the year ending 31 December 2018, there is still an audit qualification on the comparative figures of the Group's profit or loss and other comprehensive income. This audit qualification will be removed in the year ending 31 December 2019.

5. *Long term receivable*

As stated in the Company's announcement dated 13 October 2017, all the three investment agreements carry a term of three-year period commencing from January 2017. The Directors wishes to terminate the three investment agreements as soon as possible, regardless of their legality. In order to make an attempt on the recovery of RMB50 million, three claim petitions against the three investment companies had been filed to the Court of Qianhai Cooperation District, Shenzhen, Guangdong Province (廣東省深圳前海合作區人民法院) (the "**Qianhai Court**") in August 2017. Up till now, the Qianhai Court has still not yet decided the dates of hearing regarding the three claim petitions.

In addition to judicial assistance, the new management of Guangzhou Mayer considers the three investment agreements as deceitful acts committed by the former management of Guangzhou Mayer and the three investment companies. Therefore, the alleged wrongful transactions had been reported to the Police Department of Huangpu District, Guangzhou Municipality in May 2018.

In order to remove the qualification, the Group will follow the status of the legal actions and the investigation closely. Ongoing assessment of the recoverability of the long term receivable will be carried out by the Directors. If any indication of impairment is noted, the Directors will consider if any impairment is necessary. Subject to the result of the recovery actions and the assessment of the sufficiency of impairment (if any) by the auditor, the qualification will be removed.

LETTER FROM THE BOARD

DISCLOSURES IN RELATION TO THE UPDATE ANNOUNCEMENTS

The principal performance targets of Guangzhou Mayer as set out in the Update Announcements in respect of the profit forecast of Guangzhou Mayer for the two years ending 31 December 2019 constitute a profit forecast under Rule 10 of the Takeovers Code.

The Performance Targets are set out below:

| Turnover <i>(in RMB million)</i> | 2018 (approximately) | 2019 (approximately) |
|---|---------------------------------------|---------------------------------------|
| Carbon Strip and Carbon Plate | 350 | 345 |
| Carbon Pipe | 54 | 70 |
| Stainless Steel Pipe | 37 | 43 |
| Stainless Steel Fitting | 36 | 42 |
| | <hr/> | <hr/> |
| Total for the year | 477 | 500 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Profit before tax <i>(in RMB million)</i> | 2018 (approximately) | 2019 (approximately) |
| Carbon Strip and Carbon Plate | 12 | 12 |
| Carbon Pipe | 1 | 4 |
| Stainless Steel Pipe | 1 | 1 |
| Stainless Steel Fitting | 2 | 3 |
| | <hr/> | <hr/> |
| Total for the year | 16 | 20 |
| | <hr/> <hr/> | <hr/> <hr/> |

The principal assumptions (including commercial assumptions) upon which the Performance Targets were based are set out below:

- there will be no material changes in the existing political, legal, and economic conditions in the PRC that would materially affect the economic benefits attributable to Guangzhou Mayer;
- the revenue of Guangzhou Mayer for the year 2018 is based on the actual sales for the seven months ended 31 July 2018 while the forecast for the five months ending 31 December 2018 is referenced to the revenue proportion of the same period in 2016 and 2017;
- the estimated revenue of Guangzhou Mayer for the year ending 31 December 2019 increased by approximately 5% as compared to the revenue forecast in 2018 taking into account of the factors including but not limited to the economic growth, the impact of the new capital expenditure and the obtaining of the IATF16949 certificate (as mentioned below);

LETTER FROM THE BOARD

- As Guangzhou Mayer has obtained the IATF16949 certificate in June 2018, which is a technical specification for automotive sector quality management systems, the Directors expect that by meeting the standard and becoming a qualified supplier of automobile manufacturers, Guangzhou Mayer is able to enter into the automotive parts and components market, which in turn support the growth in revenue and the gross margin;
- there will be no material change to the cost structure of Guangzhou Mayer, including but not limited to the material cost, labour cost, production cost, finance cost, and selling, general and administrative expenses, and the forecasted cost structure of Guangzhou Mayer is in line with the actual cost structure of Guangzhou Mayer for the seven months ended 31 July 2018 by referencing the actual cost ratio to revenue;
- there will be no material change in the tax rates and relevant government policies in the PRC; and
- the transactions contemplated under the Resumption Proposal are expected to be completed during 2018 and the Adjusted Shares will be resumed trading on the Stock Exchange before end of 2018. Hence, part of the proceeds from the Open Offer will be applied to the capital expenditure of Guangzhou Mayer (i.e. approximately HK\$93.73 million) and general working capital of Guangzhou Mayer (i.e. approximately HK\$39.14 million) upon Resumption which is expected to be on 21 November 2018.

The Directors confirm that the Performance Targets including the bases and assumptions have been made after due care and consideration.

ZHONGHUI ANDA CPA Limited, the auditors of the Company, is of the opinion that so far as the accounting policies and calculations are concerned, the Performance Targets have been properly compiled in accordance with the bases and assumptions adopted by the Directors and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Veda Capital, the financial adviser of the Company, is of the opinion that the Performance Targets including the bases and assumptions, for which the Directors are solely responsible for, have been made by the Directors after due care and consideration.

The reports from ZHONGHUI ANDA CPA Limited and Veda Capital on the Performance Targets have been lodged with the Executive, the contexts of which are included in the Appendix III to the Circular.

LETTER FROM THE BOARD

INTENTION OF THE COMPANY REGARDING PUBLIC FLOAT

It is the intention of the Company to continue to maintain the public float requirements of Rule 8.08 of the Listing Rules regarding the Shares following completion of (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder.

FUND RAISING ACTIVITY IN THE PAST TWELVE-MONTH PERIOD

The Group has not carried out any fund raising activities during the 12 months immediately preceding the date of the Latest Practicable Date.

EGM

The notice convening the EGM to be held at 2 p.m. on Monday, 15 October 2018 at 3/F, Alliance Building, 130-136 Connaught Road Central, Hong Kong is set out on pages EGM-1 to EGM-4 of the Circular for the purpose of considering and, if thought fit, approving (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder. Voting on the resolution(s) at the EGM will be taken by poll.

As disclosed in the announcement of the Company dated 5 April 2012, the Injunction was granted by the Court on 5 April 2012 against, amongst others, Make Success, pursuant to which Make Success is restrained from, amongst others, exercising any rights or powers (including but not limited to voting rights in general meeting(s) of the Company) in respect of the Consideration Shares. Make Success is therefore not allowed to vote on all resolutions at the EGM due to the Injunction.

At the EGM, (i) the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder require approvals from at least 75% of the votes cast by the Independent Shareholders; (ii) the Capital Reorganisation and allotment and issue of the Remuneration Shares and the transactions contemplated thereunder require approvals from more than 50% of the votes cast by Shareholders other than Make Success; and (iii) the Open Offer and the transactions contemplated thereunder require approvals from more than 50% of the votes cast by the Shareholders other than Make Success and Bumper East.

GENERAL

It should be noted that the transactions contemplated in the Circular are subject to a number of conditions, which may not be fulfilled. In addition, the approvals of (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder may or may not be granted. Shareholders and potential investors should exercise caution when they deal or contemplated dealing in the Shares or other securities of the Company.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising the non-executive Director, namely Mr. Wang Dongqi, and all the independent non-executive Directors, namely Mr. Lau Kwok Hung, Ms. Chen Yen Yung and Mr. Deng Shimin, has been established to give recommendations to (i) the Independent Shareholders on the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder; and (ii) the Shareholders (other than Make Success and Bumper East) on the Open Offer and the transactions contemplated thereunder.

Shinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and, as the case may be, the Shareholders (other than Make Success and Bumper East) in this regard. The appointment of Shinco Capital Limited as the Independent Financial Adviser is approved by the Independent Board Committee.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution(s) to approve the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder and to the Shareholders (other than Make Success and Bumper East) regarding the resolution(s) to approve the Open Offer and the transactions contemplated thereunder, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee, the Independent Shareholders regarding the terms of the Settlement Deed, the Share Buy-backs, and the transactions contemplated thereunder, and the Shareholders (other than Make Success and Bumper East) regarding the Open Offer and the transactions contemplated thereunder.

The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to the Circular and the notice of the EGM.

Yours faithfully,
By order of the Board
Mayer Holdings Limited
Lee Kwok Leung
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders and the Shareholders (other than Make Success and Bumper East) for the purpose of inclusion in this circular.



美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01116)

21 September 2018

To the Independent Shareholders and the Shareholders (other than Make Success and Bumper East)

Dear Sir or Madam,

**(I) SETTLEMENT DEED AND OFF-MARKET SHARE BUY-BACK;
AND
(II) PROPOSED OPEN OFFER ON THE BASIS OF
FOUR OFFER SHARES FOR EVERY ONE ADJUSTED SHARE
HELD ON THE RECORD DATE**

We refer to the circular dated 21 September 2018 of the Company (the “**Circular**”) of which this letter forms part.

Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated thereunder and to advise (i) the Independent Shareholders as to whether, in our opinion, the Settlement Deed and the Share Buy-backs, and the transactions contemplated thereunder are fair and reasonable so far as they are concerned; and (ii) the Shareholders (other than Make Success and Bumper East) as to whether in our opinion, the Open Offer and the transactions contemplated thereunder are fair and reasonable so far as they are concerned.

Shinco Capital Limited has been appointed as the Independent Financial Adviser to advise (i) the Independent Board Committee in respect of the Settlement Deed, the Share Buy-backs, the Open Offer; (ii) the Independent Shareholders in connection with the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder; and (iii) the Shareholders (other than Make Success and Bumper East) in connection with the Open Offer and the transactions contemplated thereunder.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board set out on pages 11 to 53 of the Circular which contains, among others, information on the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated thereunder as well as the letter from the Independent Financial Adviser set out on pages 56 to 87 of the Circular which contains its advice in respect of the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated thereunder.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, we consider that the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend (i) the Independent Shareholders to vote in favour of the special resolution to be proposed at the EGM in respect of the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder; and (ii) the Shareholders (other than Make Success and Bumper East) to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Open Offer and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mayer Holdings Limited

Mr. Wang Dongqi
*Non-executive
Director*

Mr. Lau Kwok Hung
*Independent
non-executive Director*

Ms. Chen Yen Yung
*Independent
non-executive Director*

Mr. Deng Shimin
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Shinco Capital Limited in relation to the Settlement Deed, the Share Buy-backs and the Open Offer prepared for the purpose of inclusion in this circular.



Room 1106, 11/F
Office Plus@Sheung Wan
No. 93 – 103 Wing Lok Street
Sheung Wan
Hong Kong

21 September 2018

To the Independent Board Committee, Independent Shareholders and Shareholders (other than Make Success and Bumper East) of Mayer Holdings Limited (the “Company”)

Dear Sir or Madam,

**(I) SETTLEMENT DEED AND OFF-MARKET SHARE BUY-BACK;
AND
(II) PROPOSED OPEN OFFER ON THE BASIS OF
FOUR OFFER SHARES FOR EVERY
ONE ADJUSTED SHARE HELD ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and (i) the Independent Shareholders in relation to the Settlement Deed, the Share Buy-backs and the transactions contemplated respectively thereunder, and (ii) the Shareholders (other than Make Success and Bumper East) in relation to the Open Offer and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 21 September 2018 (the “**Circular**”), of which this letter (the “**Letter**”) forms a part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Circular unless otherwise specified.

The trading of the Shares of the Company has been suspended since 9 January 2012. The Stock Exchange agreed to allow the Company to proceed with the Resumption Proposal subject to the completion of all the transactions contemplated under the Resumption Proposal, including but not limited to (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer.

The Settlement Deed and the Share Buy-backs

On 20 July 2018 (after trading hours), the Company entered into the Settlement Deed with Make Success and Yield Rise to resolve the matter of the Dan Tien Port project. Pursuant to the Settlement Deed, among others, the Acquisition Agreement shall be rescinded and void from its inception and all the Consideration Shares shall be bought back by the Company at nil consideration (i.e. the Share Buy-backs) and all the Promissory Notes and the Convertible Bonds will be cancelled. The buy-back of the Consideration Shares (i.e. 236,363,636 Shares) by the Company from Make Success constitutes an off-market share buy-back under the Share Buy-backs Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The events to take part under the Settlement Deed are subject to the approvals from at least 75% of the votes cast by Independent Shareholders at the EGM. Completion of the Share Buy-backs (one of the events that would take place under the implementation of the Settlement Deed) is also subject to the condition that the Share Buy-backs having been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-backs unless the Executive approves the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval by the Executive will be granted.

As required by the Share Buy-backs Code, Make Success, Bumper East and the parties acting in concert with each of them will abstain from voting on the resolution to be proposed at the EGM for approving the Settlement Deed and the Share Buy-backs.

The Open Offer

The Company proposes to conduct the Open Offer upon the Capital Reorganisation and the Share Buy-backs becoming effective to raise gross proceeds of approximately HK\$279.68 million before expenses, by issuing 1,398,400,000 Offer Shares at the Offer Price of HK\$0.20 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share in issue on the Record Date. The Capital Reorganisation comprises the Share Consolidation, the Authorised Share Capital Increase and the Change in Board Lot, details of which are set out in the Letter from the Board.

As at the Latest Practicable Date, 100,000,000 Shares are held by each of Aspial Investment (a substantial Shareholder wholly owned by Mr. Chen Wei) and Bumper East (a substantial Shareholder wholly owned by Mr. Lin Jinhe, an executive Director) respectively, representing approximately 10.78% of the issued share capital of the Company. Pursuant to the Irrevocable Undertakings (as amended and supplemented by the Supplemental Undertakings), each of Aspial Investment and Bumper East have respectively irrevocably undertaken to (i) remain as the beneficial owner of 100,000,000 Shares or, after the Capital Reorganisation becoming effective, 50,000,000 Adjusted Shares from the date of the Irrevocable Undertakings up to and including the Latest Time for Acceptance and (ii) subscribe or procure subscription (in the event that HKSCC Nominees Limited is the registered owner of the 100,000,000 Shares or, as the case may be, 50,000,000 Adjusted Shares) for 200,000,000 Offer Shares, being their respective entitlements to the Offer Shares.

On 20 July 2018 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriters in relation to the underwriting and the relevant arrangements in respect of the Open Offer. Subject to the Irrevocable Undertakings and the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to fully underwrite an aggregate of 998,400,000 Offer Shares on a several basis. The Underwriters and their respective associates are Independent Third Parties and are not acting in concert with the Company, and are not existing Shareholder nor parties acting in concert with any of the Shareholders. Each of the Underwriters and their respective associates is not connected nor acting in concert with any other Underwriters.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 7 of the Share Buy-backs Code, a company shall not announce or engage in a distribution of shares, which involves raising of capital, following the announcement of a share buy-back for the period beginning on the date of such announcement and ending on the 31st day immediately following completion or withdrawal of the share buy-back. Any person proposing to engage in a share distribution involving raising of capital during the period contemplated by Rule 7 of the Share Buy-backs Code would require consent from the Executive. An application has been made to the Executive for its consent to waive such restriction under Rule 7 of the Share Buy-backs Code in relation to the Open Offer. The Executive may or may not grant its consent to such waiver application.

In accordance with Rule 7.24A(1) of the Listing Rules, a proposed open offer must be made conditional on minority shareholders' approval as set out in Rule 7.27A of the Listing Rules unless the securities will be issued by the listed issuer under the authority of a general mandate granted by shareholders in general meetings. As such, the Open Offer is subject to the approval of the Shareholders (other than Make Success and Bumper East who shall abstain from voting in favour) at the EGM by way of poll.

The Open Offer is subject to the fulfillment of conditions precedent, which include (i) the obtaining of approvals from at least 50% of the votes cast by Shareholders (other than Make Success due to the Injunction and Bumper East) at the EGM; (ii) the obtaining of approval from the Stock Exchange granting the listing of, and permission to deal in the Offer Shares; (iii) completion of the Capital Reorganisation; (iv) the waiver pursuant to Rule 7 of the Share Buy-backs Code having been granted by the Executive and not having been withdrawn; and (v) the fulfillment of conditions under the Underwriting Agreement.

At the EGM, (i) the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder require approvals from at least 75% of the votes cast by the Independent Shareholders; and (ii) the Open Offer and the transactions contemplated thereunder require approvals from more than 50% of the votes cast by the Shareholders other than Make Success and Bumper East.

The Independent Board Committee

The Independent Board Committee, comprising the non-executive Director, namely Mr. Wang Dongqi, and all the independent non-executive Directors, namely Mr. Lau Kwok Hung, Ms. Chen Yen Yung and Mr. Deng Shimin, has been established to give advice and recommendation to (i) the Independent Shareholders in respect of the Settlement Deed and the Share Buy-backs, and (ii) the Shareholders (other than Make Success and Bumper East) in respect of the Open Offer, and the transactions contemplated respectively thereunder.

The Independent Financial Adviser

We, Shinco Capital Limited, have been appointed as the independent financial adviser to (i) advise the Independent Board Committee and Independent Shareholders in respect of the Settlement Deed and the Share Buy-backs as to whether the Settlement Deed and the Share Buy-backs and the transactions contemplated thereunder, are fair and

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reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise on how to vote at the EGM; and (ii) to advise the Independent Board Committee and the Shareholders (other than Make Success and Bumper East) as to whether the Open Offer and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned and in the interests of the Company and the Shareholders as a whole, and to advise on how to vote at the EGM.

We are not associated or connected with the Company or Make Success (i.e., the vendor under the Acquisition Agreement), or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated respectively thereunder, there were no other engagements between Shinco Capital Limited and the Group or Make Success. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or Make Success or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Settlement Deed, the Share Buy-backs, the Open Offer and the transactions contemplated respectively thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, 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 Group (the “**Management**”).

We have assumed that all statements of belief and intention made by the Directors and the Management in the Circular were made after due enquiries. We have also assumed that all information, representations and opinion made or referred to in the Circular are true, accurate, and complete at the time they were made and continued to be so at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the Management, and have been advised by the Directors and the Management that no material facts have been omitted from the information provided and referred to in the Circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, 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, that the information contained in the 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 in the Circular or the Circular misleading.

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The Circular includes particulars given in compliance with the Share Buy-backs Code. The Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable enquiries, 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 in the Circular misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this Letter.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates. 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, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion regarding the Settlement Deed, the Share Buy-backs and the Open Offer, we have taken into consideration the following factors and reasons:

1. Background and financial information of the Group

1.1. Business overview of the Group

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board. The Company is an investment holding company. The Group is principally engaged in the processing and manufacturing of steel sheets and steel pipes, operated by its subsidiary, Guangzhou Mayer.

1.2. Suspension of the Shares

The trading of the Shares has been suspended since 9 January 2012. The conditions for the Resumption are that the Company to (i) demonstrate that it has sufficient operations or value of assets under Rule 13.24 of the Listing Rules; (ii) publish all outstanding financial results and address any audit qualifications; (iii) demonstrate that it has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and (iv) inform the market about all material information of the Company.

On 28 November 2017, the Resumption Proposal was submitted to the Stock Exchange by the Company. On 16 June 2018, the Company announced that the Stock Exchange agreed to allow the Company to proceed with the Resumption Proposal subject to the completion of all the transactions contemplated under the Resumption Proposal, including but not limited to (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer.

1.3. *Legal disputes*

Acquisition of the Dan Tien Port project

In January 2012, the Group commenced litigation against Make Success and certain parties involved in the acquisition of the entire issued share capital of Yield Rise at the total consideration of HK\$620 million (the “**Acquisition**”) which completed in May 2011, and to claim for the damages and rescission of the Acquisition Agreement for breach of the agreement and misrepresentation made by them and repayment of consideration. In July 2018, the Group has entered into the Settlement Deed with Make Success to resolve the matter under the Acquisition, details of which are set out in the Circular.

Winding up petition against Guangzhou Mayer

Guangzhou Mayer received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the “**Intermediate Court**”) that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition.

As set out in the 2017 Annual Report, according to legal advice, the winding up petition against Guangzhou Mayer did not meet the conditions required by the relevant laws. The Directors believe that the application of the winding up petition will be strike out by the Intermediate Court.

Claim petitions in respect of RMB50 million investment

Guangzhou Mayer filed three claim petitions to the Court of Qianhai Cooperation District in August 2017, Shenzhen, Guangdong Province (廣東省深圳前海合作區人民法院 or the “**Qianhai Court**”) against three investment companies for the refund of investment in the total of RMB50 million which was entrusted for investment purpose over a term of three-year period commencing from January 2017. Up till now, the Qianhai Court has not yet decided the dates of hearing regarding the aforesaid three claim petitions. Also, the new management of Guangzhou Mayer (the “**New GZM Management**”) considers the three investment agreements as deceitful acts

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committed by the former management of Guangzhou Mayer and the three investment companies. Therefore, the alleged wrongful transactions had been reported to the Police Department of Huangpu District, Guangzhou Municipality in May 2018.

Apart from the above legal disputes, the Group is involved in legal dispute and claims against several previous management of the Group and other claims against the Company. For details of the legal disputes, please refer to section headed “X. LITIGATION” under Appendix III to the Circular and the section headed “V. STATEMENT OF INDEBTEDNESS OF THE GROUP” under Appendix I to the Circular.

1.4. Historical financial information of the Group

Set out below are extracts of the consolidated income statement and consolidated statement of financial position of the Group for the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) and the interim results of the Company for the six months ended 30 June 2018 (the “**2018 Interim Results**”).

Shareholders should note that the auditors of the Company have expressed disclaimer of opinion on certain figures for the financial years ended 31 December 2016 and 31 December 2017. Since the Company is loss making and there are pending litigations and winding up petitions against the company under the Group which indicate a material uncertainty, the auditor casted doubt on the Group’s ability to continue as a going concern. For details of the aforesaid disclaimer of opinion, please refer the section headed “IV. DISCLAIMER OF OPINION” in Appendix I to the Circular.

Table 1: historical financial performance of the Group

| | For the year ended | | For the six months | |
|---|--------------------|-----------|--------------------|-------------|
| | 31 December | | ended 30 June | |
| | 2016 | 2017 | 2017 | 2018 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | (audited) | (audited) | (unaudited) | (unaudited) |
| Revenue | 388,678 | 367,107 | 170,578 | 194,387 |
| Gross profit | 52,830 | 43,418 | 22,574 | 20,992 |
| Profit/(loss) before tax | 23,225 | (12,141) | (4,387) | (1,325) |
| Profit/(loss) for the year | 19,758 | (13,041) | (4,387) | (2,986) |
| Profit/(loss) attributable to owners of the Company | 14,825 | (14,606) | (4,665) | (4,688) |

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| | As at 31 December | | As at |
|-------------------------------|----------------------|----------------------|------------------------|
| | 2016 | 2017 | 30 June |
| | RMB'000 (audited) | RMB'000 (audited) | RMB'000 (unaudited) |
| Net assets | 208,984 | 242,281 | 239,314 |
| Net current assets | 155,116 | 110,162 | 97,235 |
| Cash and cash equivalents | 142,379 | 31,317 | 23,680 |
| Total debt | 73,015 | 36,922 | 45,417 |
| Gearing ratio (<i>Note</i>) | (33.19)% | 2.31% | 9.08% |

Note: Gearing ratio (i.e., net debt-to-capital ratio) is calculated by dividing net debt by adjusted capital, where net debt is calculated as total debts less cash and cash equivalents, and adjusted capital comprises all components of equity (i.e., share capital, share premium, non-controlling interests, accumulated losses and other reserves).

For the financial year ended 31 December 2017

As set out in Table 1 above, the Group recorded revenue of approximately RMB367.11 million for the financial year ended 31 December 2017, representing a decrease of approximately 5.55% as compared to the previous financial year. Such decrease was mainly due to the decreases in revenue from indirect export sales of steel products in the PRC and direct export sales of steel products outside the PRC during the financial year 2017. The gross profit of the Group amounted to approximately RMB43.42 million for the financial year ended 31 December 2017, representing a year-on-year decrease of approximately 17.82%. Such decrease was mainly due to the decrease in revenue and the increase in the material cost for the financial year ended 31 December 2017.

Furthermore, the Group recorded loss before tax of approximately RMB12.14 million and loss for the year of approximately RMB13.04 million for the financial year ended 31 December 2017, compared to profit before tax of approximately RMB23.23 million and profit for the year of approximately RMB19.76 million respectively for the financial year ended 31 December 2016. Loss attributable to owners of the Company was approximately RMB14.61 million for the financial year ended 31 December 2017, compared to the profit of approximately RMB14.83 million in the financial year ended 31 December 2016. The Group's deteriorated financial performance for the financial year 2017 was mainly attributable to (i) a year-on-year decrease in revenue of the Group as above illustrated; (ii) a year-on-year increase in the Group's administrative expenses as a result of the increase in legal and professional fees for the financial year ended 31 December 2017.

As at 31 December 2017, the Group had net assets of approximately RMB242.28 million, representing an increase of approximately 15.93% as compared to the previous financial year. On the other hand, the Group recorded net current assets of approximately RMB110.16 million, representing

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a decrease of approximately 28.98% as compared to the corresponding period of the previous financial year, and cash and cash equivalents of approximately RMB31.32 million, representing a decrease of approximately 78.00% as compared to the previous financial year. According to the 2017 Annual Report, the Group experienced a net decrease in cash and cash equivalents of approximately RMB112.97 million as at 31 December 2017 (2016: a net increase in cash and cash equivalents of approximately RMB66.06 million) as a result of (i) the increase in net cash outflow from operating activities primarily due to the increase in trade receivables and other receivables and the operating loss; (ii) net cash outflow from investing activities primarily due to the increase in long term receivables; and (iii) net cash outflow from financing activities primarily due to the settlement of bank borrowings.

The increase in long term receivables relates to cash outflow of RMB50 million in respect of the claim of the Group against three investment companies for the refund of the investment sum as disclosed previously in this Letter. The trade receivables and other receivables increased from approximately RMB125.61 million as at 31 December 2016 to approximately RMB140.69 million as at 31 December 2017, representing an increase of approximately 12.01%. The trade receivable turnover days for the financial year ended 31 December 2016 was 104 days and increased to 114 days for the financial year ended 31 December 2017, mainly due to the mild decrease in revenue during the year and increase in the trade receivables as at 31 December 2017. As advised by the Company, there are trade receivables of approximately RMB115.78 million as at 31 December 2017, and approximately 95% of them were settled as of 30 April 2018. We have enquired and understand from the Management that in order to improve the trade receivable turnover days, the Company will strive to improve the customer profile through exploring more customer source in the PRC and gradually depends less on customers who have long payment period and with lower profitability.

For the six months ended 30 June 2018

As set out in Table 1 above, the Group recorded revenue of approximately RMB194.39 million for the six months ended 30 June 2018, representing an increase of approximately 13.96% as compared to that in the corresponding period in the previous financial year. However the gross profit of the Group amounted to approximately RMB20.99 million for the six months ended 30 June 2018, representing a decrease of approximately 7.01% as compared to that in the corresponding period in the previous financial year, mainly due to the increase in material cost. Gross profit margin was 10.80% compared to the 13.23% in the corresponding period in the previous financial year. Loss attributable to owners of the Company was approximately RMB4.69 million, compared to that of RMB4.67 million in the corresponding period in the previous financial year.

1.5. *Current business operation*

As set out in the section “VIII. FINANCIAL AND TRADING PROSPECT” in Appendix I of the Circular, after resuming the on-site control of the operation and governance of Guangzhou Mayer by the New GZM Management on 12 July 2017, the New GZM Management managed to stabilize the factory’s production and the upkeep of normal production capacity had been achieved quickly. As further noted from the Letter from the Board, upon completion of the Open Offer, part of the proceeds from the Open Offer will be applied toward modification and enhancement of the production facilities of Guangzhou Mayer.

2. *The Settlement Deed and the Share Buy-backs*

2.1. *Background*

The Company entered into the Settlement Deed to resolve the matter of the Dan Tien Port project in Vietnam acquired by the Group under the Acquisition Agreement.

On 8 November 2010, the Company entered into the Acquisition Agreement (as amended by a supplemental agreement dated 31 March 2011) with Make Success, where Make Success agreed to sell and the Company agreed to purchase the entire issued share capital of Yield Rise at the total consideration of HK\$620 million. The consideration of this Acquisition was arrived at, among other, the business and property valuations and the then future prospect of Yield Rise. The major asset of Yield Rise was the attributable 70% interest in the Dan Tien Port project which is principally engaged in the development of property, port and relevant logistic business in Vietnam. Details of the Acquisition Agreement are set out in the circular of the Company dated 13 April 2011. The Acquisition completed on 9 May 2011 and the Company satisfied the consideration under the Acquisition Agreement as to (i) HK\$100 million in cash as deposit; (ii) HK\$130 million by issue and allotment of 236,363,636 Consideration Shares at the issue price of HK\$0.55 per Share to Make Success; (iii) HK\$90 million by the issue of the 5% Convertible Bonds to Make Success; and (iv) HK\$300 million by the issue of the 8% Promissory Notes to Make Success.

In November 2011, around five months after completion of the Acquisition, the Group became aware of problem about the Acquisition when the local management was reluctant to provide the financial information of the Dan Tien Port Development Joint Venture Co, Limited, a member of the group companies under Yield Rise, and there was conflicting version of the development progress of the port. Therefore, the Group started investigating the Acquisition. Through various investigations, the Group noted that there were false information and documents provided by or through Make Success in relation to the Acquisition.

The Company commenced the HCA64/2012 Action by way of a writ of summons dated 12 January 2012 and an amended writ of summons dated 6 March 2012 whereby it was purported that the Company was defrauded by relying on two letters of intent (which was claimed to be false and misleading) which formed the basis of the valuation conducted by independent valuer, which in turn, was relied on to determine the consideration under the Acquisition Agreement.

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On 20 July 2018 (after trading hours), the Company entered into the Settlement Deed with Make Success and Yield Rise to resolve the matter of the Dan Tien Port project. Pursuant to the Settlement Deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the Consideration Shares shall be bought back by the Company from Make Success (i.e. the Share Buy-backs) at nil consideration; (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes; (iv) Make Success shall surrender and the Company shall cancel all the Convertible Bonds; (v) the Company shall transfer all the shares in Yield Rise to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement.

2.2. Reasons for and benefits of entering into the Settlement Deed

The purpose of entering into the Settlement Deed is to resolve the matter of Dan Tien Port project in Vietnam.

According to the pleadings in the HCA64/2012 Action, the then management of the Company pleaded that the consideration for the acquisition of Yield Rise (which indirectly holds a 70% attributable interest in the Dan Tien Port project) was based on an inflated valuation of the fair value of the Dan Tien Port as at 31 October 2010 prepared under a valuation report dated 13 April 2011, which was arrived at by using false and/or misleading information. The Board believes that it is not commercially viable for the Company to develop the Dan Tien Port project based on an inflated valuation.

The Board considers that the Company is unable to continue the development of the Dan Tien Port project due to the following reasons:

- (i) the Group does not have sufficient fund and has been unable to raise fund for investing into the Dan Tien Port project following the suspension of trading of its Shares since 2012;
- (ii) the Company is unable to identify appropriate experts to manage the Dan Tien Port since the acquisition of the same;
- (iii) the Company has been unable to exercise control in the Dan Tien Port project since the acquisition of the same; and
- (iv) it is not in the interest of the Company to incur additional legal expenses to pursue the claim against Make Success and other relevant parties having considered the advice from its legal advisers.

As the Company has been unable to exercise control in Dan Tien Port project since the completion of the Acquisition, the Company has no information on the current status of the Dan Tien Port project. As such, and together with the doubt of the commercial viability in developing the Dan Tien Port project and other reasons stated above, the Company has decided to cease the development of the Dan Tien Port project.

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The Directors consider that the Settlement Deed and the transactions contemplated thereunder are able to (i) relieve the Group from the obligations under the Acquisition Agreement and discontinue any further capital commitment to the Dan Tien Port project; and (ii) improve the financial position of the Group as the Share Buy-backs will increase the net assets value per Adjusted Share and create greater shareholder value which is in the interest of the Shareholders.

We concur with the Company that given it has been unable to exercise control in the Dan Tien Port project since the completion of the Acquisition and the Company has no information on its current status, it is not possible for the Company to continue its investment in the Dan Tien Port. Also, since the Dan Tien Port project is the subject of the legal disputes and the development progress of it is out of the original schedule, it is not possible for the Company to sell the interest in it to other at the original cost.

Furthermore, in the event the Acquisition Agreement was not rescinded, the legal action under HCA64/2012 Action will not be resolved, thus the timing and final outcome of this legal action will be uncertain. We agreed that it is not in the interest of the Company to incur further legal expenses to pursue the claim against Make Success.

Having considered the above, we concur with the Board that the entering into of the Settlement Deed to rescind the Acquisition Agreement would be a practical option for the Company to resolve the matter of the Dan Tien Port project.

2.3. *Principal terms of the Settlement Deed*

Pursuant to the Settlement Deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the Consideration Shares shall be bought back by the Company from Make Success at nil consideration (i.e. the Share Buy-backs); (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes; (iv) Make Success shall surrender and the Company shall cancel all the Convertible Bonds; (v) the Company shall transfer the shares in Yield Rise to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely (for avoidance of doubt, "party" herein means the party of the Settlement Deed, that is, the Company and Make Success and not any other parties in HCA64/2012); and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement.

We are of the opinion that since all the Consideration Shares shall be bought back at nil consideration and cancelled under the Share Buy-backs and all the Promissory Notes and the Convertible Bonds will be surrendered for company's cancellation thereby extinguishing all the liabilities of the Company, the Company would in effect recover quite a substantial part of the consideration under the Acquisition Agreement, being approximately 83.9% of the total consideration without incurring further cost and uncertainty. We are of the view that the entering

into of the Settlement Deed to rescind the Acquisition Agreement would protect the Company against the liabilities arising from the Acquisition and save the Company from all future cost and time in pursuing the lengthy legal action, thus it is in the interest of the Company and the Shareholders as a whole.

Pursuant to the Settlement Deed, subject to the approvals from at least 75% of the votes cast by the Independent Shareholders of the Company at its general meeting in respect of (i) the Settlement Deed and (ii) the transactions contemplated under the Settlement Deed pursuant to the Share Buy-backs Code having been obtained, all further proceedings in HCA64/2012 Action be withdrawn in relation to the Company and Make Success. The Company and Make Success shall jointly take out an application to effectuate the settlement of HCA64/2012 Action. It was advised by the legal adviser of the Company, that although leave is required to the discontinuation of the HCA64/2012 Action between the Company and Make Success, as set out in the Letter from the Board that as advised by the legal adviser of the Company, the court will normally approve an application of the plaintiff (i.e. the Company) to discontinue a litigation if he wants to, as it is not desirable that the plaintiff should be compelled to litigate against his will, unless such approval will bring injustice to the defendant or the defendant will be deprived of any advantage which he has already gained in the litigation, which is not applicable in the current situation, as the intended discontinuation of the HCA64/2012 Action would be a joint application by the Company (the plaintiff in the HCA64/2012 Action) and Make Success (a defendant in the HCA64/2012 Action) by mutual consent. As such, it is highly unlikely that the court would not approve the joint application by the Company and Make Success for the discontinuation of the HCA64/2012 Action.

In the event the court does not approve the discontinuation of the HCA64/2012 Action, the Company is of the view, after consulting with the legal adviser, that it would not affect the Share Buy-backs and would not have material effect to the business operation of the Company.

2.4. *Share Buy-backs*

As part of the Settlement Deed, all the 236,363,636 Consideration Shares will be bought back for cancellation. Such buy-back of the Consideration Shares (i.e. 236,363,636 Shares) by the Company from Make Success constitute an off-market share buy-back under the Share Buy-backs Code. The implementation of the Share Buy-backs under the Settlement Deed is conditional upon (i) approvals from at least 75% of the votes cast by the Independent Shareholders at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder pursuant to the Share Buy-backs Code; and (ii) the approval from the Executive in relation to the Share Buy-backs having been obtained. Assuming all the conditions of the Share Buy-backs have fulfilled, the Share Buy-backs could proceed to completion even if the court approval on the discontinuation of the HCA64/2012 Action is not obtained.

The Share Buy-backs is a solution to resolve the matter under the Acquisition Agreement and unwind the Acquisition. We consider it is fair and reasonable that

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the Consideration Shares be returned to the Company for cancellation upon the Company surrendering its interest in Yield Rise.

2.5. Possible effect on shareholding interests of the public Shareholders of the Share Buy-backs

As at the Latest Practicable Date, 927,563,636 Shares had been issued and were fully paid or credited as fully paid by the Company. Following the Share Buy-backs under the Settlement Deed, all the Consideration Shares will be bought back and cancelled, the number of issued Shares of the Company will be reduced to 691,200,000 Shares, which is the same as the number of issued shares immediately preceding completion of the Acquisition and through the cancellation of the Convertible Bonds, there will also be no more dilution effect potentially brought by the Convertible Bonds. Make Success will hold no more Shares, Convertible Bonds or other securities of the Company. The percentage shareholding of all other Shareholders will be proportionally increased by approximately 34.20%. The public float of the Company will be increased from 52.96% to 71.06% immediately after completion of the Share Buy-backs. Details of the shareholding structure of the Company assuming completion of the Settlement Deed are set out in the section headed "3.3 Possible dilution effect on shareholding interests of the public Shareholders of the Open Offer" in this Letter.

As the interest of all the Shareholders will be proportionally increased by same portion through the Share Buy-backs and there will be no more dilution effect potentially brought by the Convertible Bonds, we are of the opinion that such effect on shareholding is favourable to the Independent Shareholders as a whole.

2.6. Financial impacts of the Settlement Deed to the Company

As set out in the Letter from the Board, the financial statements of the Yield Rise Group had not been consolidated into accounts of the Company and the Promissory Notes and the Convertible Bonds issued under the Acquisition Agreement had not been recognised in the consolidated financial statements of the Group. Thus save for the reduction of the issued share capital of the Company under the Share Buy-backs, the Settlement Deed will not materially affect the financial position of the Group.

As set out in the Letter from the Board, it is expected that, on a pro forma basis, the Share Buy-backs will not have financial impact on the results of the Group and the loss attributable to owners of the Company for the six months ended 30 June 2018 would remain unchanged at approximately RMB4.69 million. On a per Share basis, immediately after the Share Buy-backs becoming effective but before the completion of the Capital Reorganisation, as the number of issued Shares would decrease from 927,563,636 to 691,200,000, the loss per Share for the six months ended 30 June 2018 would increase by approximately 33.33% from approximately RMB0.51 cents to approximately RMB0.68 cents, and the net assets per Share would increase by approximately 34.62% from approximately RMB0.26 to approximately RMB0.35.

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3. The Open Offer

In order to assess the fairness and reasonableness of the Open Offer, we have analysed the principal terms of the Open Offer as follows.

3.1. *Principal terms of the Open Offer*

The Company proposes to conduct the Open Offer upon the Capital Reorganisation becoming effective to raise gross proceeds of approximately HK\$279.68 million before expenses. Under the Capital Reorganisation, there will be consolidation of every two (2) issued and unissued Shares of a nominal value of HK\$0.10 each into one (1) Adjusted Share of a nominal value of HK\$0.20 in the share capital of the Company.

Principal terms of the Open Offer are summarised as below:

| | | |
|--------------------------|---|---|
| Basis of the Open Offer | : | four (4) Offer Shares for every one (1) Adjusted Share held on the record date |
| Offer Price | : | HK\$0.20 per Offer Share |
| Number of Offer Shares | : | 1,398,400,000 Offer Shares |
| Underwriting arrangement | : | The Offer Shares are underwritten by the Underwriters, including: (i) Yicko Securities; (ii) President Securities; and (iii) Kam Fai Securities. |

The Underwriters, and their respective associates, (i) are Independent Third Parties and are not acting in concert with the Company; and (ii) are not existing Shareholders nor parties acting in concert with any of the Shareholders. Each of the Underwriters and their respective associates is not connected nor acting in concert with any other Underwriters.

As discussed and confirmed by the Company, as at the Latest Practicable Date, the Company has no other outstanding derivatives, options, warrants or securities in issue which confer any right to subscribe for, convert or exchange into Shares.

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For more details of the terms of the Capital Reorganisation, the Open Offer and the Underwriting Agreement, please refer to the disclosures in the Letter from the Board.

The Offer Shares

Assuming (i) the Share Buy-backs; (ii) the cancellation of all the Consideration Shares; and (iii) the Capital Reorganisation becoming effective, and there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, 1,398,400,000 Offer Shares to be allotted and issued represents:

- (i) approximately 4.04 times of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) 4 times of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares; and
- (iii) 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Remuneration Shares and the Offer Shares.

The Offer Price

The Offer Price of HK\$0.20 per Offer Share represents:

- (i) a discount of approximately 18.70% to the equivalent closing price of HK\$0.246 per Adjusted Share based on the closing price of the Shares of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 17.01% to the equivalent average closing price of approximately HK\$0.241 per Adjusted Share based on the average of the closing price of approximately HK\$0.1206 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 16.67% to the equivalent average closing price of approximately HK\$0.240 per Adjusted Share based on the average of the closing price of approximately HK\$0.120 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 67.74% to the audited net assets value per Adjusted Share of approximately HK\$0.62 based on the audited consolidated equity attributable to owners of the Company of approximately RMB186.79 million (equivalent to approximately HK\$214.81 million) as at 31 December 2017 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective; and
- (vi) a discount of approximately 67.21% to the unaudited net assets value per Adjusted Share of approximately HK\$0.61 based on the unaudited consolidated equity attributable to owners of the Company of approximately RMB181.87 million (equivalent to approximately HK\$209.15 million) as at 30 June 2018 and the issued share capital of 345,600,000 Adjusted Shares assuming the Capital Reorganisation becoming effective.

As set out in the Letter from the Board, the Offer Price of HK\$0.20 per Offer Share is equivalent to the issue price of the Remuneration Shares and was determined having taken into account (i) the closing price of the Shares on the Last Trading Day; (ii) the expected financial needs of the Company; and (iii) the prolonged suspension of trading in the Shares.

In order to assess the fairness and reasonableness of the Offer Price, we have identified and reviewed companies listed on the Stock Exchange which were suspended for trading for more than one year, and as part of their resumption plans completed open offers of shares to their respective existing shareholders during the past two years preceding the date of the Announcement (i.e., from 1 July 2016 to 20 July 2018). Based on the information publicly available on the website of the Stock Exchange and on our best effort basis, we have identified six comparable companies (the “**Resumption Comparable(s)**”) which are exhaustive based on the selection criteria as set out above.

Shareholders should note that the comparison below is aimed to provide a general reference and for illustrative purpose as each of the Resumption Comparables may not be directly comparable to the Company as they may have different business activities and prospects, length and reasons

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for suspension and there are different actions to take part in the resumption proposals. Observations of the Resumption Comparables are summarised below:

Table 2: details of the Resumption Comparables

| Comparables (Stock Code) | Market capitalisation (before suspension) (<i>approx.</i> <i>HK\$ million</i>) | Date of suspension | Date of announcement | Basis of entitlement | Premium/ (discount) of the offer price per share over/(to) the closing price per share on the last trading day (<i>approx.</i>) | Premium/ (discount) of the offer price per share over/(to) the net asset value per share (<i>approx.</i>) | Maximum dilution effect to the shareholding of the existing public shareholders after completion of the respective resumption proposals who take up their entitlements under the open offer (<i>Note 8</i>) (<i>approx.</i>) | Maximum dilution effect to the shareholding of the existing public shareholders after completion of the respective resumption proposals who DO NOT take up their entitlements under the open offer (<i>Note 8</i>) (<i>approx.</i>) | Theoretical value dilution of the open offer | Underwriting commission for the part of offer shares underwritten by independent underwriter |
|---|---|----------------------------------|-------------------------|-------------------------|--|--|---|--|--|--|
| Longhui International Holdings Limited (1007.HK) (<i>Note 1</i>) | 1,698 | 22 March 2012 | 2 May 2018 | 1 for 5 | (96.95)% | N/A (<i>Note 7</i>) | 90.55% | 92.13% | 16.16% | 2.50% |
| Z-Obee Holdings Limited (948.HK) (<i>Note 2</i>) | 160 | 27 June 2014 | 22 September 2017 | 2 for 5 | (70.29)% | 213.73% | 79.00% | 85.00% | 20.08% | 3.00% |
| Grand T G Gold Holdings Limited (8299.HK) (<i>Note 3</i>) | 968 | 11 November 2010 | 24 February 2017 | 1 for 2 | (72.22)% | 140.96% | 16.77% | 44.51% | 24.07% | 3.50% (<i>Note 10</i>) |
| Birmingham International Holdings Limited (2309.HK) (<i>Note 4</i>) | 649 | 4 December 2014 | 7 June 2016 | 1 for 2 | (94.03)% | (10.11)% | 88.46% | 92.31% | 31.34% | 2.50% |
| Jiande International Holdings Limited (865.HK) (<i>Note 5</i>) | 327 | 27 November 2009 | 22 August 2014 | 2 for 1 | (92.26)% | N/A (<i>Note 7</i>) | 90.00% | 96.67% | 61.51% | 3.00% |
| Titan Petrochemicals Group Limited (1192.HK) (<i>Note 6</i>) | 1,924 | 19 June 2012 | 8 April 2016 | 1 for 3 | (59.35)% | N/A (<i>Note 7</i>) | 69.83% (<i>Note 9</i>) | 77.37% (<i>Note 9</i>) | 14.84% | N/A (<i>Note 11</i>) |
| | | Resumption Comparable | Maximum | | (59.35)% | 213.73% | 90.55% | 96.67% | 61.51% | 3.50% |
| | | | Minimum | | (96.95)% | (10.11)% | 16.77% | 44.51% | 14.84% | 2.50% |
| | | | Average | | (80.85)% | 114.86% | 72.44% | 81.33% | 28.00% | 2.90% |
| | | | The Company | 4 for 1 | (18.70)% | (67.21)% | 1.14% | 80.23% | 14.96% | 2.50% |

Source: Information from the website of the Stock Exchange

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Notes:

- (1) Longhui International Holdings Limited (1007.HK) is formerly named as “Daqing Dairy Holdings Limited”. It is principally engaged in catering business (Cantonese style hotpot business) after resumption of trading.
- (2) Z-Obee Holdings Limited (948.HK) is principally engaged in provision of mobile handset designs and production solutions business.
- (3) Grand T G Gold Holdings Limited (8299.HK) is principally engaged in gold exploration, mining and mineral processing with gold concentrate as its product.
- (4) Birmingham International Holdings Limited (2309.HK) is principally engaged in operation of a professional football club in the United Kingdom.
- (5) Jiande International Holdings Limited (865.HK) is formerly named as “First Mobile Group Holdings Limited”. After resumption, it is principally engaged in residential property developing primarily focusing on the development and sale of residential properties.
- (6) Titan Petrochemicals Group Limited (1192.HK) is principally engaged in business of construction and repair of ships such as tankers and the construction, repair, conversion and upgrading of oil rigs and FPSO, FSO, FSRU and FLNG after restructuring.
- (7) Based on the then latest published financial results at the time of open offer, Longhui International Holdings Limited (formerly known as Daqing Dairy Holdings Limited) (stock code: 1007.HK), Jiande International Holdings Limited (formerly known as First Mobile Group Holdings Limited) (stock code: 865.HK) and Titan Petrochemicals Group Limited (stock code: 1192.HK) were of net liabilities value, thus no analysis on premium/(discount) of the respective offer price per share over/(to) the respective net assets value per share could be done.
- (8) The percentage of dilution to shareholding takes into account of all the dilutive events under the respective resumption proposals, such as the issue of subscription of shares and other convertible securities under fund raising, the issue of consideration shares under acquisition or remuneration shares.
- (9) Assuming all the share options granted under share option scheme adopted by Titan Petrochemicals Group Limited (stock code: 1192.HK) dated 31 May 2002 (as amended on 24 June 2010) are exercised.
- (10) Part of the offer shares under Grand T G Gold Holdings Limited (stock code: 8299.HK) were underwritten by an underwriter, who was a connected person, without charging commission. The 3.50% represents the commission that was charged by an independent underwriter.
- (11) Since the open offer of Titan Petrochemicals Group Limited (stock code: 1192.HK) were fully underwritten by a connected person, thus the information under the item “Underwriting commission for the part of offer shares underwritten by independent underwriter” is not applicable in the above table.

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Closing price to offer price comparison

As shown in Table 2 above, the discounts represented by the offer prices to the closing prices of shares of the Resumption Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 59.35% to approximately 96.95% with an average discount of approximately 80.85%. The discount of approximately 18.70% as represented by the Offer Price to the closing price of the Shares on the Last Trading Day falls above the aforesaid range and average.

Given the trading of the Shares on the Stock Exchange has been suspended for more than six years, the closing price of the Shares as at the Last Trading Date and the market capitalization of the Shares derived may not reflect the current financial performance, financial positions and the business prospect of the Group, this would also be the same for those of the Resumption Comparables.

Net asset value to offer price comparison

The discounts represented by the offer prices to the net assets value per share of the Resumption Comparables ranged from a discount of approximately 10.11% to a premium of approximately 213.73%, with an average premium of approximately 114.86%. The discount of approximately 67.21% as represented by the Offer Price to the net assets value per Share falls below the range and the average of the Resumption Comparables.

Based on the above comparison, we observe that the discount of the Offer Price to the net assets value per Share is more significant to those of the Resumption Comparables on average. We further research on the discount of net assets value per share of other listed companies in Hong Kong, we have identified and reviewed companies listed on the Stock Exchange which has announced proposed open offer of shares during the one year preceding the date of the Announcement (i.e., from 21 July 2017 to 20 July 2018) and not being terminated and were not long suspended companies. Based on the information publicly available on the website of the Stock Exchange and on our best effort basis, we have identified 8 comparable companies (the “**Trading Comparable(s)**”) which are exhaustive based on the selection criteria as set out above.

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Table 3: details of the Trading Comparables

| Trading Comparable (stock code) | Nature of business | Date of announcement of the open offer | Basis of entitlement | Premium/ (discount) of the offer price per share over/(to) the closing price per share on the last trading day | Premium/ (discount) of the offer price per share over/(to) the net asset value attributable to the Shareholders per share | Theoretical value dilution of the open offer | Underwriting commission for the part of offer shares underwritten by independent underwriter |
|--|---|---|-------------------------|--|--|--|--|
| Mexan Limited (22.HK) | hotel operations | 29 June 2018 | 1 for 2 | (1.96)% | (22.12)% | 0.65% | 2.00% <i>(note 1)</i> |
| Grand Field Group Holdings Limited (115.HK) | property development, property investment and general trading. | 27 June 2018 | 1 for 2 | (33.70)% | (80.41)% | 11.23% | 2.75% |
| GR Properties Limited (108.HK) | the provision of property management services in the PRC; and property development and investment in the UK, the US and the PRC. | 24 May 2018 | 1 for 2 | (4.76)% | 11.11% | 1.59% | N/A <i>(note 2)</i> |
| Sunwah Kingsway Capital Holdings Limited (188.HK) | investment in securities, stock, options, futures and commodities brokerage, provision of financial advisory services, asset management, money lending and other securities related financial services | 8 January 2018 | 1 for 4 | (6.36)% | (41.81)% | 1.27% | 2.00% <i>(note 1)</i> |
| Shougang Concord International Enterprises Company Limited (697.HK) | principally engaged in the manufacture and trading of steel products | 8 September 2017 | 1 for 1 | (21.05)% | (59.36)% | 10.53% | N/A <i>(note 2)</i> |
| Superactive Group Company Limited (176.HK) | principally engaged in electronic and industrial products-related businesses | 29 August 2017 | 1 for 2 | (7.41)% | 44.09% | 2.47% | 1.00% |
| Star Properties Group (Cayman Islands) Limited (1560.HK) | principally engaged in the property development of industrial buildings for sale or rental in Hong Kong | 26 July 2017 | 2 for 5 | (26.47)% | (25.00)% | 7.56% | 2.50% |
| Beijing Enterprises Clean Energy Group Limited (1250.HK) | principally engaged in the construction and operation of photovoltaic power plants | 25 July 2017 | 1 for 7 | (10.53)% | 109.88% | 1.32% | 0% <i>(note 1)</i> |
| | Trading Comparables | Maximum | | (1.96)% | 109.88% | 11.23% | 2.75% |
| | | Minimum | | (33.70)% | (80.41)% | 0.65% | 0% |
| | | Average | | (14.03)% | (7.95)% | 4.58% | 1.71% |
| | The Company | | | (18.70)% | (67.21)% | 14.96% | 2.50% |

Source: Information from the website of the Stock Exchange

Note:

- In these open offers (stock code: 22.HK, 188.HK, and 1250.HK), part of the offer shares were underwritten by underwriters who were connected person to the respective Trading Comparables.
- In these open offers (stock code: 108.HK and 697.HK), all the underwritten shares were underwritten by the connected persons of the respective Trading Comparables, thus the information under the item "Underwriting commission for the part of offer shares underwritten by independent underwriter" are not applicable in the above table for these Trading Comparables.

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The discounts represented by the offer prices to the net assets value per share of the Trading Comparables ranged from a discount of approximately 80.41% to a premium of approximately 109.88%, with an average discount of approximately 7.95%. The discount of approximately 67.21% as represented by the Offer Price to the net assets value per Share falls within and is at the low end of the range of the Trading Comparables.

Although the discount represented by the Offer Price to the net asset value per Share of the Company is outside the range of that of the Resumption Comparables and is at a low end of the range of the Trading Comparables, in view of:

- (i) the completion of the Open Offer is part of the viable Resumption Proposal for the Shares to resume trading;
- (ii) each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer on the same offer terms;
- (iii) the net proceeds from the Open Offer will provide the Group with funds to repay the outstanding loans which are due or will be due in very near future and to finance the business development of its existing business, which may improve its profitability and financial position;
- (iv) the Company suffers from several litigations;
- (v) the loss making position of the Company and the auditors' disclaimer of opinion on the financial information of the Group; and
- (vi) the Group's net assets, gearing position and working capital would be improved upon completion of the Open Offer;

we are of the view that the Open Offer, including the Offer Price, is fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned and is in the interests of the Company and the Shareholders as a whole.

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Excess application

As stated in the Letter from the Board, Qualifying Shareholders shall be entitled to apply for entitlements of Offer Shares created which are not taken up by other Qualifying Shareholders in excess of their own assured allotments but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. Any remaining Underwritten Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriters. For further information of the application for excess Offer Shares allocation basis, please refer to the section headed "Excess application for the Offer Shares" in the Letter from the Board.

Considering that such excess arrangement shall give the Shareholders a right to subscribe for excess Offer Shares to increase their shareholding and to participate in the future development of the Group should they wish to do so before being taken up by the Underwriters, we concur with the Directors that the arrangement for the excess Offer Shares is fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned.

Conditions precedent to the Open Offer

The Open Offer is subject to the fulfillment of conditions precedent, which include (i) the obtaining of approvals from more than 50% of the votes cast by the Shareholders (other than Make Success due to the Injunction and Bumper East) at the EGM; (ii) the obtaining of approval from the Stock Exchange granting the listing of, and permission to deal in the Offer Shares; (iii) completion of the Capital Reorganisation; (iv) the waiver pursuant to Rule 7 of the Share Buy-backs Code having been granted by the Executive and not having been withdrawn; and (v) the fulfillment of conditions under the Underwriting Agreement. The Open Offer is not conditional upon the completion of all events contemplated under the Settlement Deed save for the Share Buy-backs.

The Underwriting Agreement

Principal terms of the Underwriting Agreement are set out below:

Date : 20 July 2018 (after trading hours)

Parties : (i) The Company; and
(ii) The Underwriters

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The Underwriters shall severally subscribe for the Untaken Shares set out in (1) to (3) below for which they are called upon to subscribe in accordance with the terms of the Underwriting Agreement in the following order:

- (1) Yicko Securities shall underwrite up to 750,000,000 Untaken Shares;
- (2) President Securities shall underwrite up to 100,000,000 Untaken Shares that are not underwritten by Yicko Securities pursuant to (i) above; and
- (3) Kam Fai Securities shall underwrite all the remaining balance of the Untaken Shares that are not underwritten by Yicko Securities and President Securities pursuant to (i) and (ii) above.

Number of the Offer Shares fully underwritten by the Underwriters on a several basis : All of the Offer Shares (other than the Offer Shares to be taken up by Aspial Investment and Bumper East under the Irrevocable Undertakings), being 998,400,000 Offer Shares.

Underwriting commission : The Underwriters will charge 2.50% of the aggregate Offer Price in respect of the actual number of Offer Shares which they have respectively committed to underwrite.

The commission rate was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the market rate and the long suspension of the Shares, and the Directors consider that the commission rate is fair and reasonable so far as the Company and the Shareholders are concerned.

For more details of the terms of the Underwriting Agreement, please refer to the disclosure on the Letter from the Board.

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For the purpose of assessing the underwriting commission charging by the Underwriters, who are independent third parties we have reviewed the underwriting commissions charged to the Resumption Comparables and the Trading Comparables in respect of the offer of shares by way of open offers to their respective existing shareholders as set out in Table 2 and Table 3 above. We observed that (i) the underwriting commissions charged to the respective Resumption Comparables excluding those underwriters who were connected parties to the respective comparables were in the range of 2.50% to 3.50%, with an average of approximately 2.90%; and (ii) the underwriting commissions charged to the respective Trading Comparables excluding those underwriters who were connected parties to the respective comparables were in the range of nil to 2.75%, with an average of approximately 1.71%. We are of the view that the underwriting commission of 2.50% to be charged by the Underwriters is in line with the market range and is fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned.

We consider that the principal terms of the Underwriting Agreement are in line with market practice. We are of the view that the terms of the Underwriting Agreement including the underwriting commission charged by the Underwriters are fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned.

3.2. Reasons for entering into of the Open Offer and use of proceeds

As set out in the Letter from the Board, the Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so.

The gross proceeds and net proceeds (after deducting the underwriting commission) from the Open Offer are approximately HK\$279.68 million and approximately HK\$274.69 million respectively. The net proceeds (after deducting the underwriting commission) from the Open Offer are approximately HK\$274.69 million and are intended to be utilised as to:

- (i) approximately HK\$48.77 million for the settlement of legal, consultancy and professional fees and other costs and expenses arising from the Resumption;
- (ii) approximately HK\$78.70 million for the repayment of outstanding loans as at the date of the Latest Practicable Date (the “**Outstanding Loans**”);
- (iii) approximately HK\$5.45 million for the settlement of directors’ remuneration payable (except for the director’s remuneration payable to Mr. Lin Jinhe, being an executive Director and the ultimate beneficial owner of Bumper East which is a substantial Shareholder) as at the Latest Practicable Date;

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- (iv) approximately HK\$93.73 million for the capital expenditure for Guangzhou Mayer; and
- (v) approximately HK\$48.04 million for general working capital of the Group, in which (i) approximately HK\$39.14 million will be allocated to support the daily business operation of Guangzhou Mayer; and (ii) approximately HK\$8.90 million will be allocated to maintain the operation of the Company's office in Hong Kong, including the annual rent and rates of approximately HK\$0.60 million, the annual staff costs of approximately HK\$1.39 million, the general office and corporate expenses of approximately HK\$3.30 million and the professional expenses of approximately HK\$3.61 million.

As at the Latest Practicable Date, none of the creditors is a Shareholder in relation to the repayment of the Outstanding Loans.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB23.68 million only. We noted that the cash and cash equivalent currently available are not sufficient to meet the cash requirements of the Company to settle its indebtedness, business development and operation. The Letter from the Board sets out the breakdowns of the Outstanding Loans and the use of the capital expenditure of Guangzhou Mayer, it is noted that (i) some of the Outstanding Loans had already fall due while the rest will gradually fall due within one year from the Latest Practicable Date; and (ii) the use of proceeds as capital expenditure for Guangzhou Mayer are mainly for modifications and enhancement of the production facilities.

The Company is of the view that additional capital funding raised by the Open Offer is crucial to the future development of Guangzhou Mayer in its operating industry of manufacturing steel products in China. We have enquired and understand that such modifications will improve the production efficiency of the production line thus enable Guangzhou Mayer to take up more orders from existing customers and new customers in future. The modification will also improve the product quality and lower the production cost, and make the company's product more competitive. We have obtained the cashflow budget of the Group for the next 12 months period. We had enquired and understand that the proceeds from the Open Offer reserved for general working capital of Guangzhou Mayer are mainly to support the daily business operation of Guangzhou Mayer, such as to finance the purchase of materials for its operation and payroll of staff.

After taking into consideration of the existing financial resources of the Group and the net proceeds from the Open Offer, the Directors consider that the proceeds allocated to the capital expenditure and general working capital will be sufficient for the coming 12 months.

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In view of the existing financial resources, the amount of outstanding loan and the loss making of the Company, we are of the view that the Group has the need for fund raising to satisfy its ongoing cash requirements and business development after the Resumption. Having considered the terms of the Open Offer and the proceeds from the Open Offer are used for satisfying the payment obligation, future business development and as general working capital, we consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.3. Possible dilution effect on shareholding interests of the public Shareholders of the Open Offer

For illustration purpose, the following tables illustrate the shareholding of the Company upon completion of the transactions contemplated in the Letter from the Board:

Table 4: Shareholding

Assuming full acceptance of the Offer Shares

| | As at the Latest Practicable Date | | (i) | | (ii) | | (iii) | | (iv-A) | |
|------------------------------|-----------------------------------|---------------|--|---------------|--|---------------|---|---------------|---|---------------|
| | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % | No. of Adjusted Shares | Approx. % |
| | | | Immediately after the completion of the Share Buy-backs under the Settlement Deed and the Consideration Shares having been cancelled | | Immediately after (i) and the completion of the Capital Reorganisation | | Immediately after (ii) and the allotment and issue of the Remuneration Shares | | Immediately after (iii) and the Open Offer assuming full acceptance of the Offer Shares | |
| Make Success | 236,363,636 | 25.48 | - | - | - | - | - | - | - | - |
| Bumper East | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Aspial Investment | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Public Shareholders: | | | | | | | | | | |
| Existing public shareholders | 491,200,000 | 52.96 | 491,200,000 | 71.06 | 245,600,000 | 71.06 | 245,600,000 | 70.25 | 1,228,000,000 | 70.25 |
| Veda Capital | - | - | - | - | - | - | 4,000,000 | 1.15 | 20,000,000 | 1.15 |
| Total | 927,563,636 | 100.00 | 691,200,000 | 100.00 | 345,600,000 | 100.00 | 349,600,000 | 100.00 | 1,748,000,000 | 100.00 |

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Assuming no acceptance of the Offer Shares by the Qualifying Shareholders (other than Bumper East and Aspial Investment)

| | As at the Latest Practicable Date | | (i) | | (ii) | | (iii) | | (iv-B) | |
|------------------------------|-----------------------------------|---------------|--|---------------|--|---------------|---|---------------|--|---------------|
| | | | Immediately after the completion of the Share Buy-backs under the Settlement Deed and the Consideration Shares having been cancelled | | Immediately after (i) and the completion of the Capital Reorganisation | | Immediately after (ii) and the allotment and issue of the Remuneration Shares | | Immediately after (iii) and the Open Offer assuming no acceptance of the Offer Shares by Shareholders (other than Bumper East and Aspial Investment) | |
| | No. of Approx. Shares | | No. of Approx. Shares | | No. of Approx. Shares | | No. of Approx. Shares | | No. of Approx. Shares | |
| | Shares | % | Shares | % | Shares | % | Shares | % | Shares | % |
| Make Success | 236,363,636 | 25.48 | - | - | - | - | - | - | - | - |
| Bumper East | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Aspial Investment | 100,000,000 | 10.78 | 100,000,000 | 14.47 | 50,000,000 | 14.47 | 50,000,000 | 14.30 | 250,000,000 | 14.30 |
| Public Shareholders: | | | | | | | | | | |
| Existing public shareholders | 491,200,000 | 52.96 | 491,200,000 | 71.06 | 245,600,000 | 71.06 | 245,600,000 | 70.25 | 245,600,000 | 14.05 |
| Veda Capital | - | - | - | - | - | - | 4,000,000 | 1.15 | 4,000,000 | 0.23 |
| The Underwriters: | | | | | | | | | | |
| Yicko Securities | - | - | - | - | - | - | - | - | 171,400,000 | 9.81 |
| President Securities | - | - | - | - | - | - | - | - | 100,000,000 | 5.72 |
| Kam Fai Securities | - | - | - | - | - | - | - | - | 148,400,000 | 8.49 |
| Investors | - | - | - | - | - | - | - | - | 578,600,000 | 33.10 |
| Total | 927,563,636 | 100.00 | 691,200,000 | 100.00 | 345,600,000 | 100.00 | 349,600,000 | 100.00 | 1,748,000,000 | 100.00 |

Note: The Directors confirm that (i) each of the Investors and the parties acting in concert with it will not in aggregate be interested in 10% or more of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer; and (ii) each of the Investors shall be a third party independent of, not connected and acting in concert with, the Company and its connected persons, the Underwriters, any other Investor(s), and any other Shareholder(s).

As set out in the Letter from the Board, it is the intention of the Company to continue to maintain the public float requirements of Rule 8.08 of the Listing Rules regarding the Shares following completion of (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, immediately after the completion of the Share Buy-backs under the Settlement Deed and the Consideration Shares having been cancelled, the interest of the existing public Shareholders would be approximately 71.06%.

Assuming all the Qualifying Shareholders take up their entitlements to the Offer Shares under the Open Offer, the interest of the existing public Shareholders would be reduced from approximately 71.06% to approximately 70.25%, representing a dilution effect of approximately 1.14% as a result of all the transactions under the Resumption Proposal. Assuming none of the Qualifying Shareholders take up their entitlements to the Offer Shares under the Open Offer, the interest of the existing public Shareholders would be reduced from approximately 71.06% to approximately 14.05%, representing a dilution effect of approximately 80.23% as a result of the transactions under the Resumption Proposal and the non-acceptance of the Offer Shares.

As shown in Table 2 which involves listed companies with long-suspension status similar to the Company but also carried out other dilutive fund raising exercises in addition to open offer currently adopted by the Company, (i) assuming all the shareholders take up their entitlements to the offer shares under the respective open offer, the dilution to shareholdings range from approximately 16.77% to 90.55%, with an average of 72.44%, the dilution effect of the Open Offer is less dilutive than the other Comparables in this scenario; and (ii) assuming none of the shareholders take up their entitlements to the offer shares under the respective open offer, the dilution to shareholdings range from approximately 44.51% to 96.67%, with an average of 81.33%, the dilution effect of the Open Offer falls within such range and is close to the average. Making comparison to the Resumption Comparables as shown in Table 2, we consider the dilution effect of the Open Offer is acceptable in both theoretical scenarios that all existing public shareholders taking up their entitlements under the open offers and none of the existing public shareholders taking up their entitlements under the open offers. However, as the reasons for suspension and the dilutive events involved under the respective resumption proposals for these Comparables differ case by case, the above analysis of dilution impacts to the Resumption Comparables provides a general reference and is for illustrative purpose only.

We are of the view that the dilution effect on the shareholding of the existing Shareholders is acceptable so far as the Shareholders (other than Make Success and Bumper East) are concerned after having considered (i) the Offer Price is fair and reasonable so far as the Shareholders (other than Make Success and Bumper East) are concerned; (ii) the proceeds from the Open Offer will provide funding for its existing business and the working capital to the Group; (iii) the positive financial effect of the Open Offer as discussed below; and (iv) the completion of the Open Offer forms part of the conditions of the Resumption, if the Open Offer could not be completed, it is possible that the Stock Exchange may eventually cancel the listing of the Shares.

3.4. Theoretical value dilution of the Open Offer

Taking into the consideration of the effects of the Share Buy-backs and the cancellation of all the Consideration Shares, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer, the theoretical value dilution of the Open Offer is approximately 14.96% which is the discount of the theoretical diluted price to benchmarked price of the equivalent closing price of HK\$0.246 per Adjusted Share based on the closing price of the Shares of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day.

The theoretical value dilution of the Resumption Comparables as shown in Table 2, range from approximately 14.84% to approximately 61.51% with an average of approximately 28.00%, while that for the Trading Comparables as shown in Table 3, range from approximately 0.65% to approximately 11.23% with an average of approximately 4.58%. The theoretical value dilution effect of the Open Offer of approximately 14.96% is lower than the low end of the value dilution of the Resumption Comparables, but it is higher than the high end of the value dilution of the Trading Comparables.

Having considered that the trading of the Shares has been suspended for long, the theoretical value dilution is more than that of the Trading Comparables is acceptable.

3.5. Financial effects of the Open Offer to the Company

Assets and liabilities

As set out in the Letter from the Board, if the transactions contemplated under the Resumption Proposal had completed on 30 June 2018, (i) the total assets would be increased by approximately 58.57% from approximately RMB395.68 million to approximately RMB627.45 million; (ii) the total liabilities would remain unchanged at approximately RMB156.37 million; (iii) the equity attributable to owners of the Company would increase by approximately 127.44% from approximately RMB181.87 million to approximately RMB413.64 million; and (iv) the working capital (i.e. current assets minus current liabilities) would increase by approximately 238.35% from approximately RMB97.24 million to approximately RMB329.01 million.

According to the “Unaudited pro forma financial information to the Group” as set out in Appendix II to the Circular, assuming (i) the Share Buy-backs and the cancellation of Consideration Shares, (ii) the Capital Reorganisation, (iii) the allotment and issue of Remuneration Shares and (iv) the Open Offer on the consolidated net tangible assets of the Group as if they had taken place on 30 June 2018, the Group’s financial position would improve as the net tangible assets would increase from approximately RMB181.87 million to approximately RMB413.64 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gearing position

As set out in the section headed “1.4. Historical financial information of the Group” in this Letter, the Group had net debt-to-capital ratio of approximately 9.08% as at 30 June 2018. Assuming the Open Offer is approved and other things being constant, the proceeds from the Open Offer will enhance the capital base of the Group and for repayment of debt, we are in the opinion that the Group’s gearing level will be improved and result in a healthier gearing position to the Group immediately after the completion of the Open Offer.

Working capital

With reference to the 2018 Interim Results, the Group had net current assets of approximately RMB97.24 million as at 30 June 2018. Assuming the Open Offer is approved and other things being constant, the Company intends to allocate approximately HK\$48.04 million of the net proceeds from the Open Offer for future general working capital of the Group and this will result in a better net working capital position.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we concur with the view of the Board that the terms of the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution in relation to the Settlement Deed, the Share Buy-backs and the transactions contemplated thereunder at the EGM.

We concur with the view of the Board that the terms of the Open Offer and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders (other than Make Success and Bumper East) are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders (other than Make Success and Bumper East), and we also recommend the Shareholders (other than Make Success and Bumper East), to vote in favour of the relevant resolution in relation to the Open Offer and the transactions contemplated thereunder at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders and potential investors should note that the resumption of trading in the shares of the Company is subject to various conditions which may or may not be fulfilled. There is no guarantee that the resumption of trading in the shares of the Company will take place. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

Yours faithfully,
For and on behalf of
Shinco Capital Limited
Bobby Chow **Teresa Tsang**
Managing Director *Director*

Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

Ms. Teresa Tsang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

I. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the financial information of the Group for each of the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, and for six months ended 30 June 2018, as extracted from the published annual reports of the Company for the relevant years and the published interim results of the Company for the relevant period.

| | For six months ended | For the year ended 31 December | | |
|---|-------------------------------------|---------------------------------------|-------------------|-------------------|
| | 30 June 2018 | 2017 | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (audited) | (audited) | (audited) |
| Revenue | 194,387 | 367,107 | 388,678 | 420,225 |
| (Loss)/profit before taxation | (1,325) | (12,141) | 23,225 | (8,241) |
| Income tax expense | (1,661) | (900) | (3,467) | N/A |
| (Loss)/profit for the period/year | (2,986) | (13,041) | 19,758 | (8,241) |
| (Loss)/profit for the period/year attributable to: | | | | |
| Owners of the Company | (4,688) | (14,606) | 14,825 | (8,546) |
| Non-controlling interests | 1,702 | 1,565 | 4,933 | 305 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| (Loss)/earnings per share | | | | |
| Basic and diluted (<i>RMB cents</i>) | (0.51) | (1.57) | 1.60 | (0.92) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total comprehensive income for the period/ year attributable to: | | | | |
| Owners of the Company | (4,914) | 31,732 | 12,074 | (10,024) |
| Non-controlling interests | 1,947 | 1,565 | 4,933 | 305 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | <u>(2,967)</u> | <u>33,297</u> | <u>17,007</u> | <u>(9,719)</u> |

Notes:

- (1) There were no income or expense which are material recorded in the audited consolidated financial statements of the Group for the three years ended 31 December 2015, 2016 and 2017 and in the unaudited consolidated financial statements of the Group for six months ended 30 June 2018.
- (2) There was no dividend declared by the Group for the three years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018.

II. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018

The unaudited condensed consolidated financial statements of the Group for six months ended 30 June 2018 and notes thereto is set out in the interim results of the Company for the six months ended 30 June 2018, which has been published on the websites of the Company (www.mayer.com.hk) and the Stock Exchange (www.hkexnews.hk).

III. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

The followings are the audited consolidated financial statements of the Group for the year ended 31 December 2017 contained in the annual report of the Company for the year ended 31 December 2017 (the “**Company’s Annual Report 2017**”), which has been published on the websites of the Company (www.mayer.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk).

(i) Consolidated statement of profit or loss for the year ended 31 December 2017

Please refer to page 34 of the Company’s Annual Report 2017.

(ii) Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

Please refer to page 35 of the Company’s Annual Report 2017.

(iii) Consolidated statement of financial position as at 31 December 2017

Please refer to pages 36 to 37 of the Company’s Annual Report 2017.

(iv) Consolidated statement of changes in equity for the year ended 31 December 2017

Please refer to page 38 of the Company’s Annual Report 2017.

(v) Consolidated statement of cash flows for the year ended 31 December 2017

Please refer to pages 39 to 40 of the Company’s Annual Report 2017.

(vi) Significant accounting policies and notes to the audited consolidated financial statements for the year ended 31 December 2017

Please refer to pages 41 to 90 of the Company’s Annual Report 2017.

IV. DISCLAIMER OF OPINION

For the year ended 31 December 2017

1 Opening balances and corresponding figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of the audit, details of which are set out in the auditor's report dated 9 April 2018.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 Limited accounting books and records of the Group

As the auditors of the Company were appointed subsequent to the year ended 31 December 2016, the auditors were unable to attend the physical count of inventories of Guangzhou Mayer as at 31 December 2016. In addition to the insufficiency of supporting documentation and explanations for accounting books and records in respect of Guangzhou Mayer for the year ended 31 December 2015, the auditors were unable to carry out audit procedures to satisfy themselves as to whether the following income and expenses for the year ended 31 December 2016 and 2017, the assets and liabilities as at 31 December 2016, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

Income and expenses for the years ended 31 December:

| | 2017 RMB'000 | 2016 RMB'000 |
|--------------------|-----------------------------|-----------------------------|
| Cost of goods sold | 323,689 | 300,290 |
| Depreciation | — | 818 |
| | <u> </u> | <u> </u> |

Assets and liabilities as at 31 December:

| | 2016 RMB'000 |
|-------------------------------|-----------------|
| Non-current assets | |
| Property, plant and equipment | 5,464 |
| Current assets | |
| Inventories | 6,418 |
| | <u>11,882</u> |

3 Unconsolidation of Yield Rise Limited

As stated in note 35(a) to the consolidated financial statements for the year ended 31 December 2017, due to the dispute between Make Success and the Company in connection with the acquisition of Yield Rise Group, the financial statements of Yield Rise Group have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2017 and 2016. In addition, the Promissory Notes and Convertible Bonds issued for the acquisition were not recognised in the consolidated financial statements.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"), the Company should consolidate the Yield Rise Group if the Company has power to control the Yield Rise Group to affect the return from them. The auditors have not been able to obtain sufficient appropriate audit evidence to assess (i) whether the Company has control over the Yield Rise Group; and (ii) the validity of the Promissory Notes and Convertible Bonds. The auditors are unable to determine whether there is an departure from HKFRS 10 and the Promissory Notes and Convertible Bonds as mentioned in note 35(a) should be recognised in the Group's consolidated financial statements.

4 Available-for-sale financial assets

As stated in note 22 to the consolidated financial statements for the year ended 31 December 2017, the investment in 29.85% equity interest in Vietnam Mayer Company Limited ("Vietnam Mayer") is recognised as available-for-sale financial assets. The auditors have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer during the years ended 31 December 2017 and 2016. Therefore, the auditors are unable to determine whether (i) Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting up to the date the Group ceased to have significant influence over Vietnam Mayer and any gain or loss should be recognised on deemed disposal as at that date; and (ii) the dividend income from Vietnam Mayer of approximately RMB7,482,000 and RMB13,772,000 should be charged to consolidated profit or loss for the year ended 31 December

2017 and 2016 respectively. In addition, the auditors have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount of RMB11,766,000 as at 31 December 2016.

5 Long term receivable

The auditors have not yet obtained sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the long term receivables of approximately RMB50 million as at 31 December 2017. There are no other satisfactory audit procedures that the auditors could adopt to determine whether any allowance for non-recovery of the amounts should be made in the consolidated financial statements.

Any adjustments to the figures as described from the above points 1 to 5 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2017 and 2016 and the financial position of the Group as at 31 December 2017 and 2016, and the related disclosures in the consolidated financial statements for the year ended 31 December 2017.

Material uncertainty relating to the going concern basis

The auditors draw attention to note 2 to the financial statements of the Group for the year ended 31 December 2017 which mentions that the Group incurred a loss of approximately RMB13,041,000 for the year ended 31 December 2017. Furthermore, there are pending litigations and winding up petitions against the Group. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.

For the year ended 31 December 2016

1 Opening balances and corresponding figures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2015, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of the audit, details of which are set out in the auditor's report dated 9 April 2018.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 *Unconsolidation of Yield Rise Limited*

As stated in note 32(a) to the consolidated financial statements for the year ended 31 December 2016, due to the dispute between Make Success and the Company in connection with the acquisition of Yield Rise Group, the financial statements of Yield Rise Group have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2016 and 2015. In addition, the promissory notes and convertible bonds issued for the acquisition were not recognised in the consolidated financial statements.

Under HKFRS 10, the Company should consolidate the Yield Rise Group if the Company has power to control the Yield Rise Group to affect the return from them. The auditors have not been able to obtain sufficient appropriate audit evidence to assess (i) whether the Company has control over the Yield Rise Group; and (ii) the validity of the Promissory Notes and Convertible Bonds. The auditors are unable to determine whether there is an departure from HKFRS 10 and the Promissory Notes and Convertible Bonds as mentioned in note 32(a) should be recognised in the Group's consolidated financial statements.

3 *Available-for-sale financial assets*

As stated in note 21 to the consolidated financial statements for the year ended 31 December 2016, the investment in 29.85% equity interest in Vietnam Mayer of approximately RMB11,766,000 is recognised as available-for-sale financial assets and stated at cost for the years ended 31 December 2016 and 2015. The auditors have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer. Therefore, the auditors are unable to determine whether Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting and the dividend income from Vietnam Mayer of approximately RMB13,772,000 should be charged in consolidated profit or loss. In addition, the auditors have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount.

4 *Limited accounting books and records of the Group*

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of a subsidiary of the Company, Guangzhou Mayer for the year ended 31 December 2015, the auditors were unable to carry out audit procedures to satisfy themselves as to whether the cost of sales and depreciation charged of RMB300,290,000 and RMB818,000, respectively, for the year ended 31 December 2016 and the following income and expenses for the year ended 31 December 2015 and the certain assets and liabilities as at 31 December 2016 and 2015, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

Income and expenses for the years ended 31 December:

| | 2015 |
|---------------------------------|---------------------|
| | <i>RMB'000</i> |
| Revenue | 420,225 |
| Cost of sales | <u>(381,809)</u> |
| Gross profit | 38,416 |
| Other income | 6,742 |
| Other net income | 1,994 |
| Distribution costs | (16,799) |
| Administrative expenses | (25,977) |
| Other operating expenses | <u>(874)</u> |
| Profit from operation | 3,502 |
| Finance cost | <u>(1,861)</u> |
| Profit before taxation | 1,641 |
| Income tax expense | <u>–</u> |
| Profit for the year | <u><u>1,641</u></u> |

Assets and liabilities as at 31 December:

| | 2016 | 2015 |
|-------------------------------|----------------------|----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | |
| Property, plant and equipment | <u>5,464</u> | <u>6,282</u> |
| Current assets | | |
| Inventories | <u>6,418</u> | <u>44,388</u> |
| NET ASSETS | <u><u>11,882</u></u> | <u><u>50,670</u></u> |

5 *Commitments and contingent liabilities*

Due to the insufficiency of supporting documentation and explanations for accounting books and records as mentioned in point 2 above, no sufficient evidence has been provided to satisfy the auditors as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2015.

6 *Related party transactions and disclosures*

Due to the insufficiency of supporting documentation and explanations for accounting books and records as mentioned in point 2 above, no sufficient evidence has been provided to satisfy the auditors as to the existence and completeness of the disclosures of the related party transactions for the year ended 31 December 2015 and the related party balances as at 31 December 2015 as required by Hong Kong Accounting Standard 24 (revised) "Related Party Disclosures".

Any adjustments to the figures as described from the above points 1 to 6 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2016 and 2015 and the financial position of the Group as at 31 December 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

The auditors draw attention to note 2 to the financial statements of the Group for the year ended 31 December 2016 which mentions that there are pending litigations and winding up petitions against the Group. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.

For the year ended 31 December 2015

1 *Opening balances and corresponding figures*

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2014, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of the audit, details of which are set out in the auditor's report dated 9 April 2018.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 *Unconsolidation of Yield Rise Limited*

As stated in note 30(a) to the consolidated financial statements for the year ended 31 December 2015, due to the dispute between Make Success and the Company in connection with the acquisition of Yield Rise Group, the financial statements of Yield Rise Group have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2015 and 2014. In addition, the promissory notes and convertible bonds issued for the acquisition were not recognised in the consolidated financial statements.

Under HKFRS 10, the Company should consolidate Yield Rise Group if the Company has power to control Yield Rise Group to affect the return from them. The auditors have not been able to obtain sufficient appropriate audit evidence to assess (i) whether the Company has control over Yield Rise Group; and (ii) the validity of the promissory notes and convertible notes. The auditors are unable to determine whether there is an departure from HKFRS 10 and the promissory notes and convertible notes as mentioned in note 30(a) should be recognised in the Group's consolidated financial statements.

3 *Available-for-sale financial assets*

As stated in note 20 to the consolidated financial statements for the year ended 31 December 2015, the investment in 29.85% equity interest in Vietnam Mayer of approximately RMB11,766,000 is recognised as available-for-sale financial assets and stated at cost for the years ended 31 December 2015 and 2014. The auditors have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer. Therefore, the auditors are unable to determine whether Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting. In addition, the auditors have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount.

4 *Limited accounting books and records of the Group*

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of a subsidiary of the Company, Guangzhou Mayer, and joint ventures for the years ended 31 December 2015 and 2014, the auditors were unable to carry out audit procedures to satisfy themselves as to whether the following income and expenses for the years ended 31 December 2015 and 2014 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included

in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

Income and expenses for the years ended 31 December:

| | 2015 RMB'000 | 2014 RMB'000 |
|--------------------------------------|------------------------|------------------------|
| Revenue | 420,225 | 541,360 |
| Cost of sales | <u>(381,809)</u> | <u>(494,729)</u> |
| Gross profit | 38,416 | 46,631 |
| Other income | 6,742 | 12,165 |
| Other net income/(loss) | 1,994 | (646) |
| Distribution costs | (16,799) | (18,972) |
| Administrative expenses | (25,977) | (37,200) |
| Other operating expenses | <u>(874)</u> | <u>(293)</u> |
| Profit from operation | 3,502 | 1,685 |
| Finance cost | <u>(1,861)</u> | <u>(3,012)</u> |
| Profit/(loss) before taxation | 1,641 | (1,327) |
| Income tax expense | <u>-</u> | <u>(120)</u> |
| Profit/(loss) for the year | <u><u>1,641</u></u> | <u><u>(1,447)</u></u> |

Assets and liabilities as at 31 December:

| | 2015 RMB'000 | 2014 RMB'000 |
|-------------------------------|------------------------|------------------------|
| Non-current assets | | |
| Property, plant and equipment | <u>6,282</u> | <u>5,457</u> |
| Current assets | | |
| Inventories | 44,388 | 56,681 |
| Trade and other receivables | - | 164,767 |
| Cash and cash equivalents | <u>-</u> | <u>43,484</u> |
| | <u>44,388</u> | <u>264,932</u> |
| Current liabilities | | |
| Trade and other payables | - | 53,002 |
| Current tax payable | - | 120 |
| Borrowings | <u>-</u> | <u>46,128</u> |
| | <u>-</u> | <u>99,250</u> |
| NET ASSETS | <u><u>50,670</u></u> | <u><u>171,139</u></u> |

5 *Commitments and contingent liabilities*

No sufficient evidence has been provided to satisfy the auditors as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2015 and 2014.

6 *Related party transactions and disclosures*

No sufficient evidence has been provided to satisfy the auditors as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2015 and 2014 and the related party balances as at 31 December 2015 and 2014 as required by Hong Kong Accounting Standard 24 (revised) "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 6 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2015 and 2014 and the financial position of the Group as at 31 December 2015 and 2014, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

The auditors draw attention to note 2 to the financial statements of the Group for the year ended 31 December 2015 which mentions that the Group incurred a loss of approximately RMB8,241,000 for the year ended 31 December 2015. Furthermore, there are pending litigations and winding up petitions against the Group. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.

V. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at the close of business on 31 July 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following liabilities:

| | <i>RMB'000</i> |
|-------------------------------------|----------------|
| Unsecured: | |
| Borrowings | |
| – Loans from directors | 7,294 |
| – Loans from financial institutions | 22,387 |
| – Loans from third parties | 37,821 |
| | <hr/> |
| Total borrowings | 67,502 |
| | <hr/> <hr/> |

As at the close of business on 31 July 2018, the Group had the following contingent liabilities:

- (i) In January 2012, the Group commenced litigation against Make Success to claim for the damages and rescission of the Acquisition Agreement made on or about 8 November 2010 for breach of the Acquisition Agreement and misrepresentation made by them and repayment of consideration. The investment in Yield Rise Group, the promissory notes and convertible bonds were de-recognised in the Group's consolidated financial statements for the year ended 31 December 2011.

Subsequently, the Company entered into the Settlement Deed with Make Success and Yield Rise on 20 July 2018. Pursuant to the Settlement Deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the Consideration Shares shall be bought back by the Company from Make Success (i.e. the Share Buy-backs); (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes; (iv) Make Success shall surrender and the Company shall cancel all the Convertible Bonds; (v) the Company shall transfer the shares in Yield Rise to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement. The implementation of Settlement Deed is subject to the approval from the independent shareholders at the EGM.

- (ii) Guangzhou Mayer, a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition.
- (iii) On 29 March 2012, writs of summons were issued by Capital Wealth Finance Company Limited and Capital Wealth Corporation Limited against the Company to claim the sum of HK\$15,500,000 plus relevant legal costs incurred/to be incurred.

Save as disclosed above in the paragraph headed "Statement of indebtedness of the Group" in this appendix and apart from intra-group liabilities and normal trade payables in the ordinary course of the Group's business, as at the close of business on 31 July 2018, the Directors are not aware of the Group having other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

VI. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the existing financial resources of the Group and the net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of any unforeseeable circumstances.

VII. MATERIAL CHANGE

The Directors confirm that there have been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made, up to and including the Latest Practicable Date.

VIII. FINANCIAL AND TRADING PROSPECT

As stated in the Company's periodic announcement dated 29 September 2017, the new management of Guangzhou Mayer had successfully resumed the on-site control of the operation and governance of Guangzhou Mayer on 12 July 2017. Thereafter, Guangzhou Mayer has resumed its normal operation situation quickly.

As soon as the resumption of physical control over Guangzhou Mayer took place in July 2017, the new management of Guangzhou Mayer managed to stabilize the factory's production and the upkeep of normal production capacity had been achieved quickly. With an effective human resources management system and a good business relationship between Guangzhou Mayer and its suppliers, the new management of Guangzhou Mayer has adopted a "Just-in-Time" approach in maximizing the factory's production capacity and minimizing the level of inventory. The purchases of production materials are carefully scheduled to align with the timeline and the size of the sales orders placed by the customers.

Despite the reduction in the export of steel products due to the global trade tension and the fluctuation of foreign exchanges, Guangzhou Mayer continues to capture more sales in the domestic market in China.

Upon completion of the Open Offer and with the new capital expenditure, the new management of Guangzhou Mayer is confident that the production capacity will be strengthened to generate more profits to the shareholders of both the Company and Guangzhou Mayer. The additional capital funding raised by the Open Offer is crucial to the future development of Guangzhou Mayer in its operating industry of manufacturing steel products in the PRC.

Furthermore, the capacity of steel factories will be under further control as the total demand and supply from the steel market of the PRC for the year 2018 will be affected by the sustained effort from both the central and local governments against the "sub-standard steel", as well as strict compliance on policies in relation to the

improvement on environmental friendliness and reduction of capacity. On one hand, there will be growth in steel demand due to construction based on the “Belt and Road” policy and strong development in railway transportation and automobile industries. On the other hand, suffering from reduced growth in investment on real estate industry, the overall steel demand for the year in the PRC could only maintain a trend of stable growth. In short, the steel cutting and steel pipe production operated by the Group are in the supply side of the steel industry. As the market demand of such aspects in the PRC remains strong, there may be further development on both operations.

The growth for overall GDP of the PRC for the year 2018 is expected to be around 6.5%. As there is continuous improvement of living standard in the PRC, both the central and local governments strongly promote the application of stainless steel water pipes. The PRC Ministry of Housing and Construction has promulgated a number of favorable policies such as “Standard of stainless steel pipes for drinking water”, while the local water supply companies have correspondingly formulated the proposal for the reform of water pipe network. Stainless steel pipes will be adopted in the main water supply pipelines, leading to the trend of rapid growth in the domestic demand of stainless steel pipes. The stainless steel pipes and fittings business operated by Guangzhou Mayer, a company located in the developed market in the South China, could enjoy a better development along with the rapid growth of market in this aspect in the PRC, while the steel cutting business will be under great development potential benefitting from local development.

On the contrary, under adverse effects such as weak global economy, weak US dollars, increasing labour costs in the PRC and inflation of other goods, the Group expects that the fluctuation of exchange rates and gradual increase in operating costs will continue in 2018, and it is without doubt that the Group’s overall profitability may be adversely affected. Moreover, the operation of the Group is facing various challenges due to the increasingly fierce market competition. In spite of the difficulties, the Group, especially the new management of Guangzhou Mayer, will continue to strive to seize business opportunities of the PRC market, develop the existing businesses properly and actively explore new businesses. The Group will also continue to explore opportunities in equity investment, seize the potential growth and aim for balanced development.

The management of the Company unanimously believes that with utilising extensive experiences in marketing, product research and development, customer development and services, production operation and cost control, the Group can enhance the competitiveness and additional value of its products, seek the best economic benefits, fully realize any investment opportunities which are beneficial for the long-term development of the Company and generate greater value for the investors of the Company.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of (i) Share Buy-backs and the cancellation of Consideration Shares, (ii) the Capital Reorganisation, (iii) the allotment and issue of Remuneration Shares and (iv) the Open Offer (hereinafter collectively referred to as the “Transactions”) on the consolidated net tangible assets of the Group as if the Transactions had taken place on 30 June 2018.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Transactions.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2018, adjusted as described below:

| Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 3018 <i>(Note 1)</i> RMB'000 | Estimated net proceeds from the Open Offer <i>(Note 2)</i> RMB'000 | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2018 RMB'000 |
|---|---|--|
| 181,872 | 231,770 | 413,642 |

| Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 <i>(Note 1)</i> | Estimated net proceeds from the Open Offer <i>(Note 2)</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2018 |
|--|---|--|
| | | <i>RMB</i> |
| Unaudited consolidated net tangible assets per share before completion of the Share Buy-backs, the cancellation of Consideration Shares, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer <i>(Note 3)</i> | | <u><u>0.20</u></u> |
| Unaudited consolidated net tangible assets per share immediately after completion of the Share Buy-backs and the cancellation of Consideration Shares but before the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer <i>(Note 4)</i> | | <u><u>0.26</u></u> |

| | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 <i>(Note 1)</i> | Estimated net proceeds from the Open Offer <i>(Note 2)</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2018 |
|--|--|---|--|
| | | | <i>RMB</i> |
| Unaudited consolidated net tangible assets per share immediately after completion of the Share Buy-backs, the cancellation of the Consideration Shares and the Capital Reorganisation but before the allotment and issue of the Remuneration Shares and the Open Offer <i>(Note 5)</i> | | | <u><u>0.53</u></u> |
| Unaudited consolidated net tangible assets per share immediately after completion of the Share Buy-backs, the cancellation of the Consideration Shares, the Capital Reorganisation and the allotment and issue of the Remuneration Shares but before the Open Offer <i>(Note 6)</i> | | | <u><u>0.52</u></u> |

| Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 <i>(Note 1)</i> | Estimated net proceeds from the Open Offer <i>(Note 2)</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2018 |
|---|---|--|
| | | <i>RMB</i> |
| Unaudited pro forma adjusted consolidated net tangible assets per share immediately after completion of the Share Buy-backs, the cancellation of the Consideration Shares, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer <i>(Note 7)</i> | | <u>0.24</u> |

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2018 are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018.
2. The estimated net proceeds from the Offer Shares are based on 1,398,400,000 Offer Shares at the Offer Price of HK\$0.20 per Offer Share, after deduction of share issue related expenses payable by the Company of approximately HK\$4,992,000.
3. Based on 927,563,636 shares in issue as at 30 June 2018 before the completion of the Transactions.
4. Based on 691,200,000 shares in issue as at 30 June 2018 immediately after completion of the Share Buy-backs and cancellation of the Consideration Shares but before the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer, assuming that the Share Buy-backs and the cancellation of the Consideration Shares had become effective on 30 June 2018.

According to the Settlement Deed, the Company shall re-purchase all the Consideration Shares from Make Success and transfer the shares in Yield Rise to Make Success. Make Success shall surrender and the Company shall cancel all the Convertible Bonds and Promissory Notes. Since (i) the financial statements of Yield Rise Group had not been consolidated into the Group's consolidated financial statements and (ii) the Promissory Notes and Convertible Bonds were not recognised in the Group's consolidated financial statements, therefore, there will not be any impact on the net tangible assets of the Group on the Share Buy-backs.

5. Based on 345,600,000 shares in issue as at 30 June 2018 immediately after completion of the Share Buy-backs, the cancellation of the Consideration Shares and the Capital Reorganisation but before the allotment and issue of the Remuneration Shares and the Open Offer, assuming that the Share Buy-backs, the cancellation of the Consideration Shares and the Capital Reorganisation had become effective on 30 June 2018.
6. Based on 349,600,000 shares in issue as at 30 June 2018 of which 4,000,000 Remuneration Shares were issued as at 30 June 2018 immediately after the completion of the Share Buy-backs, the cancellation of the Consideration Shares and the Capital Reorganisation but before the Open Offer, assuming that the Share Buy-backs, the cancellation of the Consideration Shares, the Capital Reorganisation and allotment and issue of the Remuneration Shares had become effective on 30 June 2018.
7. Based on 1,748,000,000 shares in issued as at 30 June 2018 of which 1,398,400,000 Offer Shares were issued as at 30 June 2018 immediately after the completion of the Share Buy-backs, the cancellation of the Consideration Shares, the Capital Reorganisation and the allotment and issue of the Remuneration Shares, assuming that the Share Buy-backs, the cancellation of the Consideration Shares, the Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer had become effective on 30 June 2018.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



21 September 2018

The Board of Directors
Mayer Holdings Limited
21/F, No. 88 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mayer Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 30 June 2018 ("Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-5 of the circular issued by the Company (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the of Share Buy-backs, cancellation of Consideration Shares, Capital Reorganisation, allotment and issue of Remuneration Shares and the Open Offer on the Group's net tangible assets as at 30 June 2018 as if the transactions had been taken place at 30 June 2018. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's consolidated financial statements as included in the interim report for the period ended 30 June 2018, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the open offer, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and use of proceed from the Open Offer" set out on pages 41 to 43 of the Circular.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong

I. REPORT FROM ZHONGHUI ANDA CPA LIMITED

The following is the text of a letter received from ZHONGHUI ANDA CPA Limited, the auditors of the Company, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.



The Board of Directors
Mayer Holdings Limited
21st Floor,
No. 88 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

Performance Targets for the Two Years Ending 31 December 2019

We refer to the principal performance targets of Guangzhou Mayer Corporation Limited (“**Guangzhou Mayer**”) as set out in the announcements of the Company dated 8 August 2018 and 18 September 2018 in respect of the profit forecast of Guangzhou Mayer for the two years ending 31 December 2019 (the “**Performance Targets**”).

Directors’ Responsibilities

The Performance Targets have been prepared by the directors of the Company based on the management accounts of the Guangzhou Mayer for the seven months ended 31 July 2018 and a forecast result of the Guangzhou Mayer for the remaining seventeen months ending 31 December 2019.

The directors of the Company are solely responsible for the Performance Targets.

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Performance Targets based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the Company have properly compiled the Performance Targets in accordance with the bases and assumptions adopted by the directors of the Company and as to whether the Performance Targets are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Performance Targets have been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

II. REPORT FROM VEDA CAPITAL

The following is the text of a letter received from Veda Capital, the financial adviser of the Company, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Room 1106, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

18 September 2018

The Board of Directors
Mayer Holdings Limited
21st Floor
No. 88 Lockhart Road
Wan Chai
Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 20 July 2018 in relation to, among other things, (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer (the “**Announcement**”). Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

We also refer to the principal performance targets of Guangzhou Mayer as set out in the announcements of the Company dated 8 August 2018 and 18 September 2018 in respect of the profit forecast of Guangzhou Mayer for the two years ending 31 December 2019 (the “**Performance Targets**”). We note that the Performance Targets constitute profit forecasts pursuant to Rule 10 of the Takeovers Code and require to be reported on pursuant to Rule 10 of the Takeovers Code.

We have reviewed the Performance Targets upon the relevant information and documents provided by the Group, in particular the unaudited consolidated management accounts of the Group for the seven months ended 31 July 2018 (the “**Management Accounts**”), which you as the Directors are solely responsible for and formed the key bases upon the Performance Targets, and discussed the Management Accounts and other relevant information and documents with the Directors. We have also reviewed and discussed with the Directors the underlying assumptions of the Performance Targets.

In respect of the accounting policies and calculations concerned, upon which the Performance Targets have been made, we have considered the report addressed to the Board from ZHONGHUI ANDA CPA Limited, being the auditors of the Company. ZHONGHUI ANDA CPA Limited is of the opinion that so far as the accounting policies

and calculations are concerned, the Performance Targets have been properly compiled in accordance with the bases assumptions adopted by the Directors and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

On the basis of the foregoing, we are satisfied that the Performance Targets including the bases and assumptions, for which the Directors are solely responsible for, have been made by the Directors after due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Performance Targets. The Directors remain solely responsible for the Performance Targets.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Chairman

I. 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.

This circular includes particulars given in compliance with the Share Buy-backs Code. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

II. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) assuming the Share Buy-backs, Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer have completed was/will be as follows:

(i) As at the Latest Practicable Date:

| <i>Authorised</i> | <i>HK\$</i> |
|------------------------------|-----------------------|
| <u>2,000,000,000</u> Shares | <u>200,000,000.00</u> |
| | |
| <i>Issued and fully paid</i> | |
| <u>927,563,636</u> Shares | <u>92,756,363.60</u> |

(ii) Assuming the Share Buy-backs, Capital Reorganisation, the allotment and issue of the Remuneration Shares and the Open Offer have completed

| <i>Authorised</i> | | <i>HK\$</i> |
|------------------------------|---|----------------|
| 4,000,000,000 | Adjusted Shares upon the completion of the Capital Reorganisation | 400,000,000.00 |
| | | |
| <i>Issued and fully paid</i> | | |
| 927,563,636 | Shares as at the Latest Practicable Date | 92,756,363.60 |
| 236,363,636 | Consideration Shares to be bought back and to be cancelled | 23,636,363.60 |
| | | |
| 691,200,000 | Shares immediately before the Capital Reorganisation and after the Share Buy-backs and the cancellation of all the Consideration Shares | 69,120,000.00 |
| 345,600,000 | Adjusted Shares upon the completion of the Capital Reorganisation | 69,120,000.00 |
| 4,000,000 | Remuneration Shares to be allotted and issued | 800,000.00 |
| 1,398,400,000 | Offer Shares to be allotted and issued | 279,680,000.00 |
| | | |
| 1,748,000,000 | Adjusted Shares | 349,600,000.00 |
| | | |

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

When issued and fully paid, the new Remuneration Shares and the Offer Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the fully-paid new Remuneration Shares and the Offer Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the new Remuneration Shares and the Offer Shares in their fully-paid form.

The Company had not issued any Shares and no Shares had been bought back since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date. Further, no Shares had been bought back by the Company during the period of 12 months immediately preceding the Latest Practicable Date.

The Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

There was no re-organisation of capital of the Company during the two financial years preceding the date of the Announcement.

III. DIVIDENDS

There was no dividend that has been proposed or paid out by the Company to the Shareholders during the 2-year period immediately preceding the Latest Practicable Date.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

IV. MARKET PRICE OF THE SHARES

Trading in the Shares has been suspended since 9 January 2012.

V. DISCLOSURE OF INTERESTS

1. Interests of Directors

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO) or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares and underlying shares of the Company

| Name of director | Capacity | Number of Shares Held | Approximate percentage of the total issued share capital of the Company |
|-------------------------|------------------------------------|-----------------------|---|
| Mr. Lin Jinhe (Note) | Interest in controlled corporation | 100,000,000 | 10.78% |

Note: The 100,000,000 Shares are held by Bumper East and Bumper East is wholly owned by Mr. Lin Jinhe, an executive Director. Thus, Mr. Lin Jinhe is deemed to be interested in the 100,000,000 Shares held by Bumper East pursuant to the SFO.

Save as disclosed above, no other interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated companies were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO; or were recorded in the register required to be kept under section 352 of the SFO; or was otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Substantial shareholders

As at the Latest Practicable Date, the following persons (not being Directors and chief executive of the Company) had an interest or short position in the Shares underlying shares or debentures of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name | Capacity/nature of interest | Number of Shares | Approximate percentage of the total issued share capital of the Company |
|---------------------------------------|------------------------------------|------------------|---|
| Make Success (Note 1) | Beneficial owner | 236,363,636 | 25.48% |
| Mr. Zhang Xinyu (Note 1) | Interest in controlled corporation | 236,363,636 | 25.48% |
| Bumper East | Beneficial owner | 100,000,000 | 10.78% |
| Aspial Investment Limited (Note 2) | Beneficial owner | 100,000,000 | 10.78% |
| Mr. Chen Wei (Note 2) | Interest in controlled corporation | 100,000,000 | 10.78% |

Notes:

- The 236,363,636 Shares are held by Make Success and Make Success is wholly owned by Mr. Zhang Xinyu. Thus, Mr. Zhang Xinyu is deemed to be interested in the 236,363,636 Shares held by Make Success pursuant to the SFO.
- The 100,000,000 Shares are held by Aspial Investment Limited and Aspial Investment Limited is wholly owned by Mr. Chen Wei. Thus, Mr. Chen Wei is deemed to be interested in the 100,000,000 Shares held by Aspial Investment Limited pursuant to the SFO.

As at the Latest Practicable Date, save as disclosed above in this section, no person had any interest in 10% or more of the issued voting shares of any member of the Group.

Save as disclosed above, the Directors and chief executive of the Company are not aware, as at the Latest Practicable Date, of any person (who are not Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

VI. SHAREHOLDINGS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

- (a) save for the 100,000,000 Shares held by Mr. Lin Jinhe through Bumper East (representing approximately 10.78% of the issued share capital of the Company as at the Latest Practicable Date), none of Bumper East and parties acting in concert with it holds, owns, controls or has direction over any Shares, convertible securities, warrants, options or derivatives in respect of the Shares nor has entered into any outstanding derivatives in respect of the securities in the Company during the Relevant Period;
- (b) the Company had not received any irrevocable commitment to vote for or against the proposed resolution(s) approving (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder at the EGM;
- (c) save for the entering into of the Settlement Deed by Make Success with the Company in relation to, among others, the Share Buy-backs, no Shareholders have irrevocably committed themselves to accept or reject the Share Buy-backs;
- (d) none of the Directors or any persons acting in concert with them had borrowed or lent any Shares, warrants, options, convertible securities or derivatives of the Company during the Relevant Period;
- (e) there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of Bumper East and parties acting in concert with it which might be material to (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder;

- (f) save that the Share Buy-backs contemplated under the Settlement Deed and the cancellation of all the Consideration Shares are the prerequisites of the Capital Reorganisation, there is no arrangement or agreement to which the Company is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to (i) the Settlement Deed and the Share Buy-backs; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Remuneration Shares; and (iv) the Open Offer, and the transactions contemplated thereunder;
- (g) save for the Convertible Bonds which shall be cancelled pursuant to the Settlement Deed, there was no outstanding derivative in respect of the securities in the Company entered into by the Company; and
- (h) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company had borrowed or lent.

VII. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

VIII. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2017, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group as a whole.

IX. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

X. LITIGATION

Brief descriptions of the relevant ongoing legal actions in relation to Guangzhou Mayer are provided as follows:

The PRC: Claim Disputes of (2017)粵0391民初 2337號、2338號 and 2367號

Guangzhou Mayer filed three claim petitions to the Court of Qianhai Cooperation District, Shenzhen, Guangdong Province (廣東省深圳前海合作區人民法院 or the “**Qianhai Court**”) against three investment companies for the refund of the investment sums of a total sum of RMB50 million that Guangzhou Mayer had provided wrongfully.

As at the Latest Practicable Date, the Qianhai Court had not yet decided on the dates of hearing in respect of the captioned three claim disputes.

The PRC: Winding Up Petition of (2017)粵01民初396號

Guangzhou Mayer received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the “**Intermediate Court**”) that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited.

As at the Latest Practicable Date, the Intermediate Court of Guangzhou Municipality had not yet decided on the date of hearing in respect of the winding up petition.

The Company is also involved in the following material litigations:

Hong Kong: Claim Dispute (HCA 64/2012)

The Company commenced the HCA64/2012 Action by way of a writ of summons dated 12 January 2012 and an amended writ of summons dated 6 March 2012 whereby it was purported that the Company was defrauded by relying on two letters of intent (which was claimed to be false and misleading) issued by each of Tan Thang Construction Commercial Investment Joint Stock Company (“**Tan Thang**”) and Hop Thanh Trading-Electronics-Telecom Service Joint Stock Company (“**Hop Thanh**”) which formed the basis of the valuation conducted by Grant Sherman Appraisal Limited, which in turn, was relied on to determine the consideration under the Acquisition Agreement. The said two letters of intent, which were issued by Tan Thang and Hop Thanh respectively, stated their intention to conduct business at the Dan Tien Port project.

On 20 July 2018 (after trading hours), the Company entered into the Settlement Deed. Pursuant to the Settlement Deed, amongst others, all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released, which is subject to the approvals from at least 75% of the votes cast by Independent Shareholders at the EGM, and the approval from the court on the application jointly made by Make Success and the Company to discontinue the action.

Hong Kong: Litigation No. HCA156/2015

On 19 January 2015, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against the former company secretary and chief financial controller of the Company, Mr. Chan Lai Yin, Tommy, for having wrongfully deprived the Company of access to or possession of certain documents, information and records which belonged to the Company and wrongfully refused to disclose the relevant passwords for the computer server and laptop of the Company.

As at the Latest Practicable Date, the Court of First Instance of the High Court of Hong Kong had not yet decided on the date of hearing.

Hong Kong: Miscellaneous Proceedings No. HCA 2347 of 2017 and 1673 of 2016

The statement of claim has been filed and served and the captioned case is proceeding in due course.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

XI. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date which are, or maybe, material:

- (a) the Settlement Deed;
- (b) the Underwriting Agreement; and
- (c) the Supplemental Agreement.

XII. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this circular:

| Name | Qualification |
|---------------------------|--|
| Veda Capital Limited | a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO |
| Shinco Capital Limited | a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO |
| ZHONGHUI ANDA CPA Limited | Certified Public Accountants |

Each of Veda Capital, Shinco Capital Limited and ZHONGHUI ANDA CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or opinion (as the case may be) and references to its name in the form and context in which they included.

As at the Latest Practicable Date, each of Shinco Capital Limited and ZHONGHUI ANDA CPA Limited was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor had any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up (that is, 31 December 2017), acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the proposed allotment and issue of the Remuneration Shares, as at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor had any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up (that is, 31 December 2017), acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

XIII. MISCELLANEOUS

- (a) The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 21st Floor, No. 88 Lockhart Road, Wan Chai, Hong Kong.

- (c) The registered office of Veda Capital is located at Room 1106, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

XIV. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 6:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at 21st Floor, No. 88 Lockhart Road, Wan Chai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.mayer.com.hk>) from the date of this circular up to and including the date of the EGM:

- (a) this circular;
- (b) the memorandum and articles of association of the Company;
- (c) the Irrevocable Undertakings;
- (d) the Supplemental Undertakings;
- (e) the annual reports of the Company for each of the two years ended 31 December 2016 and 31 December 2017;
- (f) the material contracts as referred to in the paragraph headed “Material Contracts” in this appendix;
- (g) the letter from the Board, the text of which are set out on pages 11 to 53 of this circular;
- (h) the letter from the Independent Board Committee, the text of which are set out on pages 54 to 55 of this circular;
- (i) the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Shareholders other than Make Success and Bumper East, the text of which are set out on pages 56 to 87 of this circular;
- (j) the reports issued by ZHONGHUI ANDA CPA Limited and Veda Capital on the Update Announcements, the text of which are set out in the Appendix III to this circular; and
- (k) the written consents referred to in the section headed “Experts’ Qualifications and Consents” in this appendix.

NOTICE OF THE EGM



美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01116)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Mayer Holdings Limited (the “Company”) will be held at 2:00 p.m. on Monday, 15 October 2018 at 3/F, Alliance Building, 130-136 Connaught Road Central, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution:

SPECIAL RESOLUTION

1. “That:
 - (a) the entering into of the settlement deed (“Settlement Deed”) dated 20 July 2018 made between the Company, Make Success Limited (“Make Success”) and Yield Rise Limited (a copy of the Settlement Deed marked “A” has been produced to the EGM and signed by the Chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed;
 - (b) subject to the approval having been granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director (the “Executive”) and not having been withdrawn, the buy-back and cancellation of 236,363,636 shares of a nominal value of HK\$0.1 each in the existing share capital of the Company (“Share(s)”) by the Company from Make Success as contemplated under the Settlement Deed (the “Share Buy-backs”) be and is hereby approved; and
 - (c) any Director be and is hereby authorised to execute all other documents whether under the common seal of the Company or otherwise and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated in and/or for implementation of the Settlement Deed and the Share Buy-backs.”

ORDINARY RESOLUTIONS

2. “That subject to the passing of resolution numbered 1 above, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing

* For identification purpose only

NOTICE OF THE EGM

of, and permission to deal in, the Adjusted Shares (as defined below), the Company obtaining all necessary consents and approvals regarding the Capital Reorganisation (as defined below), and completion of the Share Buy-backs:

- (a) every two issued and unissued Shares of a nominal value of HK\$0.10 each be and is hereby consolidated into one adjusted share of a nominal value of HK\$0.20 (“**Adjusted Share(s)**”), such that following such consolidation, the Company’s authorised share capital shall be HK\$200,000,000 divided into 1,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each (“**Share Consolidation**”);
 - (b) such Adjusted Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to restrictions in respect of ordinary shares contained in the memorandum and articles of association of the Company;
 - (c) the authorised share capital of the Company be and is hereby increased to HK\$800,000,000 divided into 4,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each by the creation of 3,000,000,000 Adjusted Shares of a nominal value of HK\$0.20 each (“**Authorised Share Capital Increase**”);
 - (d) the Adjusted Shares be and hereby traded in board lots of 10,000 Adjusted Shares (“**Change in Board Lot**”, together with the Share Consolidation and the Authorised Share Capital Increase, the “**Capital Reorganisation**”); and
 - (e) any Director be and is hereby authorised to execute all other documents whether under the common seal of the Company or otherwise and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated in and/or for implementation of the Capital Reorganisation.”
3. “**That** subject to the passing of resolutions numbered 1 and 2 above, the Stock Exchange granting the listing of, and permission to deal in, the Remuneration Shares (as defined below), and completion of each of the Share Buy-backs and the Capital Reorganisation, the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 4,000,000 Adjusted Shares (“**Remuneration Shares**”) to Veda Capital Limited, and any Director be and is hereby authorised to execute all other documents whether under the common seal of the Company or otherwise and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated in and/or for implementation of the allotment and issue of the Remuneration Shares.”

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4. “**That** subject to the passing of resolutions numbered 1 and 2 above, the Stock Exchange granting the listing of, and permission to deal in the Offer Shares (as defined below), completion of the Capital Reorganisation, the waiver pursuant to rule 7 of the Code on Share Buy-backs having been granted by the Executive and not having been withdrawn, and the fulfilment of the conditions set out in the Underwriting Agreement (as defined below) and the Underwriting Agreement not being terminated in accordance with the terms thereof:
- (a) the allotment and issue by way of open offer (the “**Open Offer**”) of 1,398,400,000 Adjusted Shares (the “**Offer Shares**”) at the price of HK\$0.20 per Offer Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Friday, 26 October 2018 (or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer) (the “**Record Date**”) (excluding those overseas shareholders whom the Directors, after making relevant enquires pursuant to Rule 13.36(2) of the Rules Governing the Listing of Securities on Main Board of the Stock Exchange (the “**Listing Rules**”), consider it necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of any relevant regulatory body or stock exchange in that place (the “**Excluded Shareholders**”)) on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date and otherwise pursuant to and subject to the terms and conditions set out in the Underwriting Agreement (as defined below), and the transactions contemplated thereunder, be and are hereby approved;
 - (b) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution;
 - (c) the entering into of the underwriting agreement dated 20 July 2018 made between the Company, Yicko Securities Limited, President Securities (Hong Kong) Limited and Kam Fai Securities Company Limited (the “**Underwriters**”) (as amended and supplemented by the supplement agreement dated 18 September 2018 made between the

NOTICE OF THE EGM

Company and the Underwriters) (the “**Underwriting Agreement**”, a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification) and any transaction contemplated thereunder be and are hereby approved, confirmed and ratified;

- (d) the arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and is hereby approved, confirmed and ratified; and
- (e) any Director be and is hereby authorised to execute all other documents whether under the common seal of the Company or otherwise and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated in and/ or for implementation of the Open Offer.”

By Order of the Board
Mayer Holdings Limited
Lee Kwok Leung
Chairman and Executive Director

Hong Kong, 21 September 2018

Registered Office:

PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Head Office and Principal Place of Business:

21st Floor, No. 88 Lockhart Road
Wan Chai, Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for the EGM or any adjourned meeting thereof.
3. Where there are joint holders of any shares of the Company, any one of such persons may vote at the EGM either personally, or by proxy, in respect of such shares of the Company as if he were solely entitled thereto, and if more than one of such joint holders are present at the EGM personally or by proxy, the joint holder whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote.
4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting thereof and in such event, the form of proxy shall be deemed to be revoked.