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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Sinoref Holdings Limited, you should at once hand this circular and the accompanied proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**SINOREF**  
**SINOREF HOLDINGS LIMITED**  
**華耐控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1020)**

**CONNECTED TRANSACTION**  
**ISSUE OF NEW SHARES FOR SETTLEMENT OF PROMISSORY NOTE**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**Opus** | Capital Limited  
創富融資有限公司

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A notice convening the extraordinary general meeting of the Company to be held at Office B, 15th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong on 25 October 2016 at 11:00 a.m., is set out on pages 39 to 40 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

7 October 2016

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:*

“Announcement”	the Company’s announcement dated 6 September 2016 relating to the Subscription
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong) on which banks in Hong Kong are generally open for business
“close associates”	has the meaning ascribed thereto under the Listing Rules
“Company”	Sinoref Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company and each a “Director”
“EGM”	the extraordinary general meeting of the Company to be held at Office B, 15th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong on 25 October 2016 at 11:00 a.m. to consider and, if thought fit, approve the Subscription
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Subscription

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## DEFINITIONS

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“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription
“Latest Practicable Date”	3 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Promissory Note”	the 3% promissory note dated 23 March 2015 issued by the Company in favour of the Subscriber in the principal sum of HK\$33 million due 23 March 2017
“PRC” or “China”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms Lam Wai Ha
“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement

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## DEFINITIONS

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“Subscription Agreement”	the subscription agreement dated 6 September 2016 as supplemented by a supplemental agreement dated 7 September 2016 entered into between the Company and the Subscriber in relation to the subscription of the Subscription Shares
“Subscription Price”	HK\$0.166 per Subscription Share
“Subscription Shares”	207,400,000 new Shares to be issued pursuant to the Subscription Agreement
“%”	per cent

For the purpose of this circular, unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.165. The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rate or at all.

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LETTER FROM THE BOARD

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**SINOREF**  
**SINOREF HOLDINGS LIMITED**  
**華耐控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1020)**

*Executive Directors:*

Mr. Xu Yejun  
Mr. Sin Kwok Wai Ronald

*Non-executive Directors:*

Mr. Chow Chi Wa  
Ms. Yip Sum Yu

*Independent Non-Executive Directors:*

Mr. Cao Ke  
Mr. Tong Yiu On  
Mr. Li Yik Sang

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Office B, 15th Floor,  
Teda Building,  
87 Wing Lok Street,  
Sheung Wan, Hong Kong

7 October 2016

*To Shareholders of the Company*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**ISSUE OF NEW SHARES FOR SETTLEMENT OF PROMISSORY NOTE**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Company announced on 6 September 2016 and 7 September 2016 that the Company and the Subscriber entered into a Subscription Agreement pursuant to which the Subscriber agreed to subscribe and the Company agreed to issue a total of 207,400,000 new Shares at the price of HK\$0.166 per Share.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further information of the Subscription; (ii) the recommendation from the Independent Board Committee in relation to the Subscription and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and to give you notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve the Subscription.

### SUBSCRIPTION AGREEMENT

#### Date

6 September 2016, as supplemented by a supplemental agreement dated 7 September 2016.

#### Parties

- (1) The Company; and
- (2) Ms Lam Wai Ha

The Subscriber is a director of a subsidiary of the Company and hence is a connected person of the Company at the subsidiary level.

#### Number of Subscription Shares

207,400,000 new Shares, representing approximately 6.96% of the existing issued share capital of the Company of 2,978,612,000 Shares as at the Latest Practicable Date and approximately 6.51% of the issued share capital of the Company as enlarged by the Subscription. The nominal value of the Subscription Shares is HK\$20,740,000.

#### Subscription Price

HK\$0.166 per Share, representing:

- (a) a discount of approximately 14.0% to the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on 6 September 2016, being the date of the Subscription Agreement;
- (b) a discount of approximately 10.75% to the average closing price of HK\$0.186 per Share as quoted on the Stock Exchange for the last 5 trading days immediately before 6 September 2016, being the date of the Subscription Agreement; and
- (c) a discount of approximately 19.81% to the closing price of HK\$0.207 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the historical market prices of the Shares, the prevailing market conditions and the net asset value ("NAV") per Share.

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## LETTER FROM THE BOARD

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The market price of the Shares suffered a significant drop in early April 2016. Since then the Share prices have demonstrated a generally downward trend. On 20 April 2016, the Company announced placing of 409,000,000 new Shares at the price of HK\$0.166 per Share (“Placing”). The Subscription Price is the same as the placing price of the Placing. However the discount of the Subscription Price to the prevailing market prices is smaller than those of the placing price of the Placing.

The Board has also considered the NAV of the Group. According to the interim report of the Group for the 6-month period ended 30 June 2016, the Group’s NAV was approximately HK\$653.88 million of which the goodwill arising from the acquisition of a money lending business and an e-commerce business in 2015 consisted of approximately HK\$364.33 million. However the money lending business and e-commerce business in aggregate recorded net losses for the year 2015 and first half of 2016. Hence the NAV after deducting the goodwill of approximately HK\$289.55 million (the “Adjusted NAV”) should be more appropriate as the basis for evaluating the fairness of the Subscription Price. The Adjusted NAV per Share was approximately HK\$0.097 as at 30 June 2016. The Subscription Price represents a premium of approximately 70.77% to the Adjusted NAV.

In view of (i) the downward trend of the market prices of the Shares, (ii) the recent placing price of new Shares acceptable to the market and (iii) the Subscription Price represents a premium to the Adjusted NAV per Share, the Company considers that the discount of the Subscription Price to the current market prices is fair and reasonable and in the interest of the Shareholders as a whole.

The aggregate Subscription Price of HK\$34,428,400 will be settled by the Subscriber by way of set off against an equivalent outstanding amount under the Promissory Note.

As at the Latest Practicable Date, the total outstanding amount under the Promissory Note is approximately HK\$34.44 million. The Company intends to redeem the entire Promissory Note upon completion of the Subscription. The balance of the outstanding amount under the Promissory Note after deducting the aggregate Subscription Price will be repaid by cash.

### **Specific Mandate**

The Subscription Shares will be issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM.

### **Ranking of the Subscription Shares**

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distributions after the date of allotment.

### **Conditions to the Subscription**

The Subscription is conditional upon:

- (a) the passing by the Independent Shareholders of an ordinary resolution to approve the Subscription; and



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## LETTER FROM THE BOARD

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- (b) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares.

If the aforesaid conditions are not satisfied within 30 days after the date of the EGM, the Subscription Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### Completion of the Subscription

Completion of the Subscription will take place within 3 Business Days after the date upon which the condition listed above has been satisfied or such other date as the Company and the Subscriber may agree in writing.

### EFFECT OF THE SUBSCRIPTION ON SHAREHOLDINGS

The shareholdings in the Company as at the Latest Practicable Date and immediately after completion of the Subscription was and will be as follows:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Subscriber	0	0.00	207,400,000	6.51
Public shareholders	<u>2,978,612,000</u>	<u>100.00</u>	<u>2,978,612,000</u>	<u>93.49</u>
Total	2,978,612,000	100.00	3,186,012,000	100.00

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in the manufacture and sale of advanced steel flow control products, the manufacture and sale of paper converting equipment and other relating equipment, e-commerce and information technology and money lending business.

The Promissory Note bears interest at the rate of 3% per annum and will be due on 23 March 2017. According to the term of the Promissory Note, the Company may early redeem the whole or any part of the Promissory Note. The issue of the Subscription Shares capitalizes almost the entire outstanding amount under the Promissory Note and it is expected that completion of the Subscription Agreement will improve the financial position of the Company by enlarging its capital base and reducing its liabilities.

The Subscription Shares will represent approximately 6.51% of the Company's share capital as enlarged by the Subscription. Hence the Subscription will result in a dilution of the existing shareholdings. However the Company considers that the dilution is not substantial and the interest of existing Shareholders will not be materially affected.

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## LETTER FROM THE BOARD

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As at the 30 June 2016, the Group had cash in hand of approximately RMB72.95 million, of which approximately HK\$30 million had been utilized for its money lending business and approximately HK\$36.78 million had been earmarked for general working capital and/or possible future investments. As at the Latest Practicable Date, the Group had cash in hand of approximately RMB18 million. Hence the Company considered that there was insufficient internal resources to repay the Promissory Note.

The Company had considered other fund raising activities including bank loans and other equity financing such as placing of new shares and rights issue. Bank loans would require sufficient collateral as security and incur interest expenses and the process is often time consuming. Placing of new shares would involve engaging placing agent with additional costs. Whereas rights issue will not result in any dilution to shareholdings, it would require finding suitable underwriter and the fund raising exercise was more costly and time consuming than the Subscription.

The Directors (excluding the independent non-executive Directors who will give their view on the Subscription after taking into account of the advice of the Independent Financial Adviser) consider that the terms of the Subscription to be fair and reasonable and in the interest of the Group and the Shareholders as a whole. No Director has a material interest in the Subscription.

### EQUITY FUND RAISING ACTIVITY OF THE GROUP IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities for the 12 months immediately before the date of the Announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
20 April 2016	Placing of new shares	Approximately HK\$66.78 million	General working capital and/or future investment of the Group as and when opportunities arise	HK\$30 million was used as working capital for the money lending subsidiary. The rest is cash at bank

### LISTING RULES IMPLICATIONS

The Subscriber is a director of a subsidiary of the Company and hence is a connected person of the Company at the subsidiary level. The Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) on whether to vote in favour of the Subscription, after taking into account the recommendation of the Independent Financial Adviser. The letter from the Independent Board Committee is set out on page 11 of this circular.

Opus Capital, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote on the relevant resolutions in the EGM. The letter from Opus Capital is set out on pages 12 to 35 of this circular.

### **EGM**

A notice convening the EGM is set out on pages 39 to 40 of this circular. All resolutions to be proposed at the EGM will be voted on by poll.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the proposed resolution(s) at the EGM.

### **RECOMMENDATION**

The Directors (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular after taking into account of the advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the relevant resolutions relating to the Subscription to be proposed at the EGM.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser respectively, which set out their recommendations in respect of the Subscription Agreement and the transactions contemplated thereunder and the principal factors considered by them in arriving at their recommendations.

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions relating to the Subscription to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
On behalf of the Board of  
**Sinoref Holdings Limited**  
**Mr. Xu Yejun**  
*Chairman*

*The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.*



**SINOREF**  
**SINOREF HOLDINGS LIMITED**  
**華耐控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1020)**

7 October 2016

*To the Independent Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION**  
**ISSUE OF NEW SHARES FOR SETTLEMENT OF PROMISSORY NOTE**

We refer to the circular of the Company dated 7 October 2016 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Subscription Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Opus Capital; and (iii) the additional information set out in the appendices to this circular.

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder, and having taken into account the opinion of Opus Capital and, in particular, the factors, reasons and recommendations as set out in the letter from Opus Capital on pages 12 to 35 of this circular, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are not in the ordinary and usual course of business of the Company and are in the interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. Cao Ke**  
*Independent non-executive  
Director*

**Mr. Tong Yiu On**  
*Independent non-executive  
Director*

**Mr. Li Yik Sang**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in the circular.*

**Opus** Capital Limited  
創富融資有限公司

18<sup>TH</sup> Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

7 October 2016

*To: The Independent Board Committee and the Independent Shareholders of Sinoref Holdings Limited*

Dear Sirs,

### CONNECTED TRANSACTION ISSUE OF NEW SHARES FOR SETTLEMENT OF PROMISSORY NOTE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 7 October 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 6 September 2016, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe and the Company agreed to issue a total of 207,400,000 new Shares at the price of HK\$0.166 per Share. The aggregate Subscription Price of HK\$34,428,400 will be settled by the Subscriber by way of set off against an equivalent outstanding amount under the Promissory Note.

The Subscriber is a director of a subsidiary of the Company and hence is a connected person of the Company at the subsidiary level. The Subscription therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquires, no Shareholder is required under the Listing Rules to abstain from voting on the proposed resolution(s) at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENT BOARD COMMITTEE

An Independence Board Committee, comprising Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang (all being the independent non-executive Directors) has been established to advise the Independent Shareholders: (i) as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription is in the interests of the Company and the Shareholders as a whole; (ii) on whether the Subscription is on normal commercial terms or better and in the ordinary and usual course of business of the Company; and (iii) on whether to vote in favour of the Subscription, after taking into account the recommendation of the Independent Financial Adviser. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote on the relevant resolutions in the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders, we have reviewed, inter alia, the Announcement, the Subscription Agreement, the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”), the announcement of the Company dated 30 August 2016 in relation to the Company’s interim results for the six months ended 30 June 2016, the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”) and other information set out in the Circular.

We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which 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, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Subscription and the terms of the Subscription Agreement, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **Business overview of the Group**

According to the 2015 Annual Report and the 2016 Interim Report, the Group is principally engaged in the manufacture and sale of advanced steel flow control products, the manufacture of paper converting equipment, money lending business, electronic commerce (e-commerce) and information technology (IT) solution business.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are the consolidated financial results of the Group for the two financial years ended 31 December 2014 (“**FY2014**”) and 31 December 2015 (“**FY2015**”), and for the six months ended 30 June 2016 (“**1H2016**”) as extracted from the 2015 Annual Report and the 2016 Interim Report:

**Table 1: Highlights of the financial results of the Group**

	<b>Unaudited Six months ended 30 June 2016 (RMB million)</b>	<b>Audited For the year ended 31 December</b>	
		<b>2015 (RMB million)</b>	<b>2014 (RMB million)</b>
Revenue	181.25	288.94	240.92
Gross profit/(loss)	9.77	(26.55)	(26.09)
(Loss) for the period	(62.77)	(271.27)	(173.70)

*Source: 2015 Annual Report and 2016 Interim Report*

As shown in the above table, the revenue of the Group has increased from approximately RMB240.92 million in FY2014 to approximately RMB288.94 million in FY2015, representing an increase of approximately 19.93%. The loss for the year of the Group in FY2015 has increased from approximately RMB173.70 million in FY2014 to approximately RMB271.27 million, representing an increase of approximately 56.17%. As stated in the 2015 Annual Report, the loss was mainly due to: (i) the significant drop of the average price of its products in order to capture the market in the current competitive environment; and (ii) impairment loss in respect of property, plant and equipment, trade receivables, intangible assets, prepaid lease payment and goodwill.

The impairment loss was mainly due to the weakening of the steel market and paper converting equipment in the PRC, such that the recoverability of the relevant carrying amounts of the Group’s plant and equipment and prepaid lease payment exceeded their recoverable amounts. An impairment loss of approximately RMB89.3 million has been recognised for FY2015 (FY2014: RMB24.3 million). Furthermore, as the repayment ability of Chinese steel enterprises and customers of paper converting equipment has deteriorated, an impairment loss for trade receivables amounted to approximately RMB15.4 million has been recognised for FY2015 (FY2014: RMB30.6 million). In addition, due to the unsatisfactory performance of the money lending business, the Group recognised an impairment loss for goodwill of approximately RMB38.8 million for FY2015 (FY2014: Nil).

For 1H2016, the Group recorded revenue of approximately RMB181.25 million and a net loss of approximately RMB62.77 million. As stated in the 2016 Interim Report, there was an increase in administrative expense as compared with the same period in 2015. However, the Group’s loss situation improved when compared with the same period in 2015 which recorded a loss of approximately RMB114.77 million, showing an improvement of approximately 45.31%.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are revenue segments of the Group for FY2014, FY2015 and 1H2016:

**Table 2: Segmental revenue of the Group**

Segment revenue	Unaudited		Audited			
	Six months ended 30 June 2016		For the year ended 31 December 2015		For the year ended 31 December 2014	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Manufacture and sale of advanced steel flow control products	77.81	42.93	231.70	80.19	221.91	92.11
Manufacture and the sale of paper converting equipment and other relating equipment	18.53	10.22	25.06	8.67	19.00	7.89
Money lending <sup>1</sup>	5.11	2.82	5.33	1.85	–	–
E-commerce <sup>1</sup>	79.80	44.03	26.85	9.29	–	–
<b>Total</b>	<b>181.25</b>	<b>100.00</b>	<b>288.94</b>	<b>100.00</b>	<b>240.91</b>	<b>100.00</b>

Source: 2015 Annual Report and 2016 Interim Report

Note:

- 1 The acquisitions of money lending business and e-commerce business were completed in March and November 2015 respectively.

As shown in the table above, trading of advanced steel flow control products was the main source of revenue of the Group for FY2014 and FY2015, representing approximately 92.11% and approximately 80.19% of its total revenue respectively. As stated in the 2015 Annual Report, the increase in revenue was mainly due to: (i) the Group's expansion in overseas markets; and (ii) the significant drop in the average selling price of its products to boost its sales.

As discussed with the Management, due to the uncertainty in the economic outlook of the steel market, the Group has gradually diversified into the money lending business and e-commerce business in 2015. As shown in the 2016 Interim Report, the revenue contribution from both the trading of advanced steel flow control products and e-commerce were approximately 42.93% and 44.03% respectively. However, both segments continued to record losses as in 1H2016.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are highlights of the financial position of the Group as at 31 December 2014 and 2015 and 30 June 2016, as extracted from the 2015 Annual Report and the 2016 Interim Report:

**Table 3: Highlights of the financial position of the Group**

	<b>Unaudited</b>	<b>Audited</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Bank balances and cash	72.95	83.71	102.68
Total assets	913.94	875.97	631.49
Promissory notes	214.68	207.74	–
Bank borrowing	20.17	20.36	20.00
Total liability	352.67	326.42	104.94
Gearing ratio <sup>1</sup>	25.7%	26.0%	3.8%

*Source: 2015 Annual Report and 2016 Interim Report*

*Note:*

- 1 Gearing ratio is calculated based on a percentage of total debts at the end of the period concerned over total assets at the end of the period.

As shown in the table above, the Group's bank balances and cash has decreased from approximately RMB102.68 million as at 31 December 2014 to approximately RMB83.71 million as at 31 December 2015, and further to approximately RMB72.95 million as at 30 June 2016. As discussed with the Management, deposits of approximately RMB3.60 million have been pledged to banks to secure bills payable. The pledged deposits are not available for use in the Group's daily operations.

The Group's total liability has increased from approximately RMB104.94 million as at 31 December 2014 to approximately RMB326.42 million as at 31 December 2015 due to the issuance of the promissory notes for the two acquisitions undertaken by the Company in 2015. Although the Group's total assets have also increased, the gearing ratio, which measures the indebtedness of a company, has also increased from approximately 3.8% as at 31 December 2014 to approximately 26.0% as at 31 December 2015. The increase in gearing was mainly due to the promissory notes issued for the acquisitions of subsidiaries during FY2015.

We also note that the cash balance as at 30 June 2016 was approximately RMB72.95 million. Despite the sufficient cash balances recorded as at 30 June 2016, most of the cash balance totalling approximately HK\$66.78 million have been earmarked for specific purpose as stated in the Company's announcement dated 6 September 2016. HK\$30 million have subsequently been utilised for its money lending business while the remaining balance of approximately HK\$36.78 million has been earmarked for general working capital and/or future

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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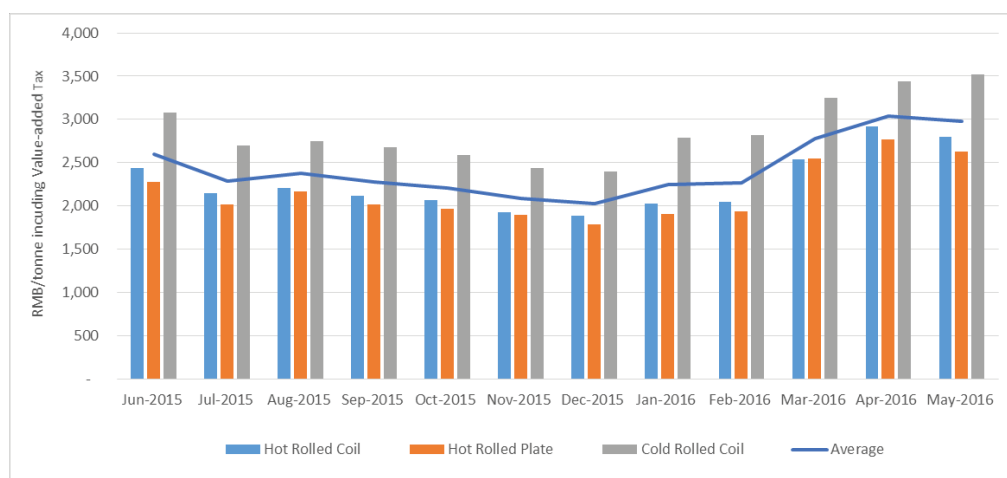
investment of the Group as and when opportunities arise. As discussed with the Management, the bank balances and cash stood at approximately RMB18 million as at the Latest Practicable Date. Accordingly, the Company would not have adequate cash balance to repay the Promissory Note.

### Market overview on the steel industry

Based on our understanding of the Group's business operation, a majority of its revenue came from the manufacture and sale of advanced steel flow control products. These products are crucial components in producing steel and the customers of the Group are mainly steel manufacturers.

As discussed with the Management, the main raw material for the manufacture of the Group's steel products is crude steel. We set out below the chart of the local steel selling price in the PRC including hot rolled coil, hot rolled plate and cold rolled coil for the 12-month period between June 2015 and May 2016 as a proxy of the recent crude steel price movement in the PRC:

**Chart 1: Local steel selling price in China from June 2015 to May 2016**



Source: *Worldsteelnews.com*

As shown in the chart above, the steel price has shown a slight decline from June 2015 to December 2015 and gradually increased from January 2016. The compound annual growth rate of the steel price for the above period was approximately 14.7%. As crude steel is the major cost component of manufacturing steel products, the upward trend in this selling price should also resemble the movement of the crude steel price. Since the Company has to purchase crude steel as its major raw material, the gradual price increase may affect the profitability of its products since it is unable to increase the selling price of its products correspondingly.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The State Council of the PRC released the Guofa [2016] No. 6 (國發[2016]6 號) titled “Opinions of the State Council on Resolving Overcapacity in the Iron and Steel Industry to Gain Profits and Development” (國務院關於鋼鐵行業化解過剩產能實現脫困發展的意見) (“**Circular 6**”) on 1 February 2016 with immediate effect. According to Circular 6, on top of the elimination of lagging iron and steel capacity for recent years, the PRC government aimed to reduce a further 100 to 150 million tons (“**Mt**”) of crude steel capacity within 5 years starting from 2016. Moreover, it stipulated that no regional authorities and departments shall file any iron and steel projects with new capacity in any name or manner; and no relevant departments and institutions shall handle any relevant business such as examination and approval for land supply, energy assessment and environmental assessment or addition of credit support. For iron and steel capacity that cannot meet the relevant standards or requirements, they shall exit from the market according to the prevailing PRC laws and regulations.

The State Council of the PRC further issued the Guofamindian [2016] No. 4 (國發明電[2016]4 號) titled “Announcement of the Third Major Inspection” (國務院關於開展第三次大督查的通知) (“**Circular 4**”) on 26 August 2016 with immediate effect. According to Circular 4, in order to increase the pace of steel production capacity elimination, the PRC government targeted at cutting down 45Mt steel capacity by the end of 2016. In view of the above, the steel manufacturers in China might further lower their steel production to align with the policies. With a declining steel production, the demand of the steel flow control products is expected to drop. With manufacturing and trading of steel flow control products being the major revenue source of the Group, the market outlook appears uncertain.

In view of the uncertainty of the steel market outlook which may affect the financial performance of the Group, coupled with the introduction of the new businesses of the Group, i.e., e-commerce business and money lending business that have yet to show profitability in the short term, it is crucial for the Group to preserve its financial resources for its daily business operations.

The Subscription provides a solution to the Group in settling the Promissory Note by not taxing on the financial resources of the Company which will help increase the capital base. Moreover it also helps to eliminate the interest burden by settling the Promissory Note early and reduces its liabilities. Accordingly we concur with the Director’s view that the Subscription and the redemption of the Promissory Note is in the interest of the Company and the Shareholder as a whole.

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As stated in the Letter from the Board, the Promissory Note bears interest at the rate of 3% per annum and will be due on 23 March 2017. According to the terms of the Promissory Note, the Company may redeem early the whole or any part of the Promissory Note. The issue of the Subscription Shares capitalises almost the entire outstanding amount under the Promissory Note and it is expected that completion of the Subscription Agreement will improve the financial position of the Company by reducing its financial costs, enlarging its capital base and decreasing its liabilities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors (excluding the independent non-executive Directors who will give their view on the Subscription after taking into account of the advice of the Independent Financial Adviser) consider that the terms of the Subscription to be fair and reasonable and in the interest of the Group and the Shareholders as a whole. No Director has a material interest in the Subscription.

### **Analysis on the Subscription**

The Promissory Note bears interest at the rate of 3% per annum and will be due on 23 March 2017. The aggregate amount to be repaid upon the expiry of the Promissory Note will be approximately HK\$35.01 million. As stated in the Letter from the Board, as at the Latest Practicable Date, the total outstanding amount under the Promissory Note is approximately HK\$34.44 million. Therefore, the early redemption of the entire Promissory Note would reduce the future interest charges by approximately HK\$0.57 million.

As stated in the Letter from the Board, the aggregate Subscription Price is approximately HK\$34.43 million. The Company intends to redeem the entire Promissory Note upon completion of the Subscription. The balance of approximately HK\$11,000, being the outstanding amount under the Promissory Note after deducting the aggregate Subscription Price, will be repaid by cash.

The capitalisation of Promissory Note by means of the Subscription shall also reduce the total liability of the Group by the outstanding amount under the Promissory Note of approximately HK\$34.44 million and increase the share capital of the Group by the same amount. This would reduce the gearing ratio and enhance the net asset value of the Group. Therefore, we concur with the Directors' view that the Subscription is in the interest of the Group and the Shareholders as a whole.

### **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

Date: 6 September 2016, as supplemented by a supplemental agreement dated 7 September 2016

Issuer: The Company

Subscriber: Ms Lam Wai Ha, a director of a subsidiary of the Company

### **Subscription Shares**

The total number of the Subscription Shares being 207,400,000 represents approximately 6.96% of the existing issued share capital of the Company of 2,978,612,000 Shares as at the Latest Practicable Date and approximately 6.51% of the issued share capital of the Company as enlarged by the Subscription. The nominal value of the Subscription Shares is HK\$20,740,000.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Subscription Price

The Subscription Price of HK\$0.166 per Share represents:

- (a) a discount of approximately 14.00% to the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on 6 September 2016, being the date of the Subscription Agreement;
- (b) a discount of approximately 10.75% to the average closing price of HK\$0.186 per Share as quoted on the Stock Exchange for the last 5 trading days immediately before 6 September 2016, being the date of the Subscription Agreement; and
- (c) a discount of approximately 19.81% to the closing price of HK\$0.207 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the historical market prices of the Shares, the prevailing market conditions and the net asset value ("NAV") per Share.

The aggregate Subscription Price of HK\$34,428,400 will be settled by the Subscriber by way of set off against an equivalent outstanding amount under the Promissory Note.

### Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distributions after the date of allotment.

### Conditions to the Subscription

The Subscription is conditional upon:

- (a) the passing by the Independent Shareholders of an ordinary resolution to approve the Subscription; and
- (b) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares.

If the aforesaid conditions are not satisfied within 30 days after the date of the EGM, the Subscription Agreement shall be terminated and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### Completion to the Subscription

Completion of the Subscription will take place within 3 Business Days after the date upon which the condition listed above has been satisfied or such other date as the Company and the Subscriber may agree in writing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ANALYSIS ON THE SUBSCRIPTION PRICE

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to: (i) the recent price performance of the Shares and the NAV of the Group; and (ii) market comparable analysis, as follows:

#### Review on Share price performance and NAV of the Group

The following table illustrates the highest and lowest closing price and the average closing price of the Shares as quoted on the Stock Exchange in each month during the 12-month period prior to 6 September 2016 (the “**Last Trading Day**”) commencing from 7 September 2015 up to and including the Last Trading Day (the “**One-Year Review Period**”). We consider the 12-month review period is sufficient to illustrate the recent performance of the Shares.

**Table 4: Historical daily closing prices of the Shares**

Month	Highest daily closing price (HK\$)	Lowest daily closing price (HK\$)	Average daily closing price (HK\$)	Number of trading days in each month
<b>2015</b>				
September (from 7 September 2015)	0.280	0.248	0.263	17
October	0.345	0.300	0.318	20
November	0.370	0.290	0.323	21
December	0.370	0.315	0.335	22
<b>2016</b>				
January	0.350	0.275	0.297	20
February	0.285	0.245	0.258	18
March	0.340	0.255	0.295	21
April	0.345	0.195	0.220	19
May	0.206	0.191	0.196	21
June	0.200	0.192	0.196	21
July	0.196	0.184	0.191	20
August	0.196	0.184	0.189	22
September (up to and include the Last Trading Day)	0.193	0.182	0.188	4

*Source: Stock Exchange*

During the One-Year Review Period, the daily closing price of the Shares ranged from HK\$0.182 to HK\$0.370 per Share. In addition, the following chart highlights the movements of the daily closing price of the Shares as quoted on the Stock Exchange during the One-Year Review Period.

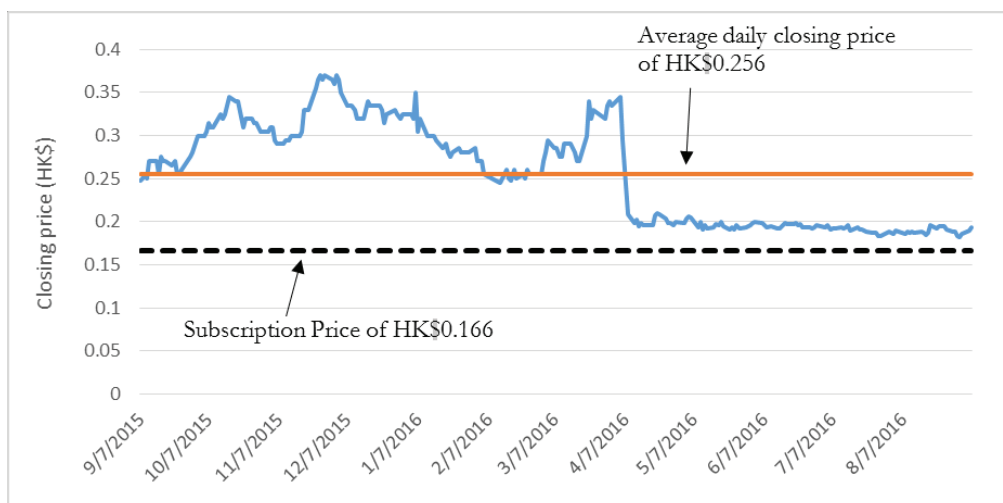


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Chart 2: Historical daily closing price of Shares during the One-Year Review Period**



Source: Stock Exchange

We note that the Subscription Price is below the average daily closing price of the Shares during the One-Year Review Period. The Subscription Price of HK\$0.166 represents:

- (i) a discount of approximately 55.14% from the highest daily closing price of the Shares of HK\$0.370 during the One-Year Review Period;
- (ii) a discount of approximately 8.79% from the lowest daily closing price of the Shares of HK\$0.182 during the One-Year Review Period; and
- (iii) a discount of approximately 35.16% from the average daily closing price of the Shares of HK\$0.256 during the One-Year Review Period.

We note that the Subscription Price is at a discount from the average daily closing price and the lowest daily closing price of the Shares during the One-Year Review Period. However, the daily closing price of the Shares during the One-Year Review Period has shown a downward trend and experienced a drop of approximately 22.18% and in particular, there was a significant decline in the Share price on 8 April 2016. As stated in the Company's announcement dated 7 April 2016, the Company noted Tencent News has reported that, amongst other things, Guotai Investment Holding (Group) Company Limited ("**Guotai Investment**") was suspected of being involved in illegal absorbing public savings and illegal fund-raising fraud crimes, and one of the executive Directors is the general manager of a wholly-owned subsidiary of Guotai Investment. The Company informed that the said executive Director named Mr. Wu Ye was not re-elected to the Board on the annual general meeting held on 10 June 2016. After the sharp decrease of the Share price on 8 April 2016, the Share price fluctuated within a narrow range. Therefore we have also considered movements of the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing

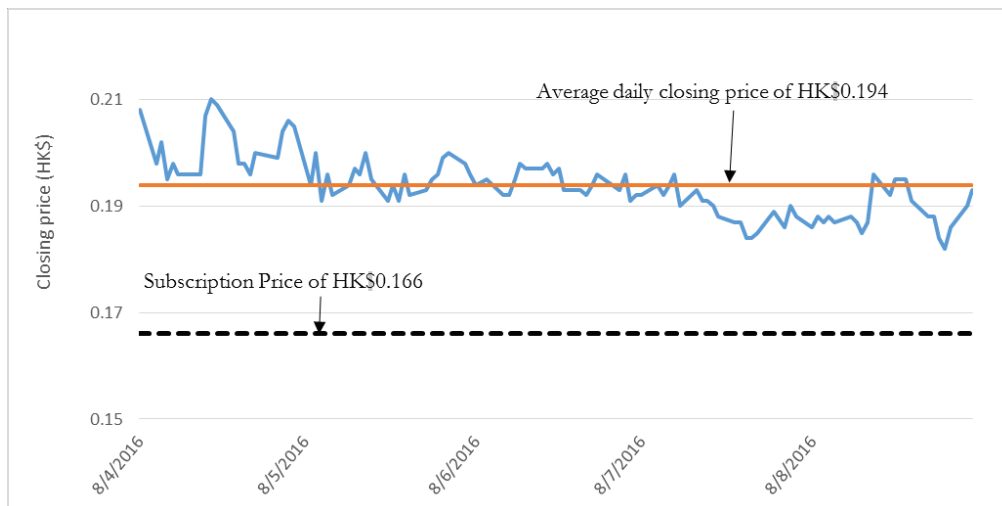
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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from 8 April 2016 (being the date of the sharp decrease in Share price) up to and including the Last Trading Day (the “**Five-Month Review Period**”), as shown in the chart below:

**Chart 3: Historical daily closing price of Shares during the Five-Month Review Period**



Source: Stock Exchange

The Subscription Price of HK\$0.166 represents:

- (i) a discount of approximately 20.95% from the highest daily closing price of the Shares of HK\$0.210 during the Five-Month Review Period;
- (ii) a discount of approximately 8.79% from the lowest daily closing price of the Shares of HK\$0.182 during the Five-Month Review Period; and
- (iii) a discount of approximately 14.43% from the average daily closing price of the Shares of HK\$0.194 during the Five-Month Review Period.

From the beginning of the Five-Month Review Period on 8 April 2016 up to the Last Trading Day, the Share price have dropped by approximately 7.21% and has been hovering between HK\$0.182 and HK\$0.210. With this downward trend of the performance of the Shares, the Subscription Price represents a smaller discount of approximately 14.43% to the average daily closing price of the Shares during the Five-Month Review Period.

Furthermore, the Company has recently conducted a placing of new Shares under general mandate for net proceeds of approximately HK\$66.78 million as announced on 20 April 2016 (the “**2016 April Placing**”). Under the 2016 April Placing which was completed on 16 May 2016, the placing price per Share was set at HK\$0.166 representing: (a) a discount of approximately 19.81% to the closing price of HK\$0.207 per Share on 20 April 2016 (being the last trading day prior to the announcement date); and (b) a discount of approximately 15.31% to the average closing price of approximately HK\$0.196 per Share for the last five consecutive

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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trading days immediately before 20 April 2016. We note that although the Subscription is undertaken a few months after the 2016 April Placing, the Subscription Price is identical to the placing price of HK\$0.166 under the 2016 April Placing. The respective discounts as represented by the Subscription Price of approximately 14.00% to the closing price on the Last Trading Day and approximately 10.75% to the average closing price for the last five consecutive trading days are smaller than the discounts under the 2016 April Placing as stated above. In light of the above comparison, we consider that the Subscription Price is acceptable.

Apart from comparing the Subscription Price with reference to the recent Shares price and to the most recent 2016 April Placing undertaken by the Company, we have also considered the NAV and adjusted NAV of the Group to evaluate the fairness and reasonableness of the Subscription Price.

Set out below are the NAV, goodwill and other intangible assets recorded in the financial statements by the Group as at 30 June 2016 and 31 December 2015:

**Table 5: NAV and goodwill of the Group**

	<b>Unaudited</b>		<b>Audited</b>	
	<b>As at 30 June 2016</b>		<b>As at 31 December 2015</b>	
	<i>(RMB million)</i>	<i>(HK\$ million)</i>	<i>(RMB million)</i>	<i>(HK\$ million)</i>
Net asset	561.27	653.88	549.55	640.23
Goodwill	312.73	364.33	305.82	356.28
Net asset excluding goodwill (the “Adjusted NAV”)	248.54	289.55	243.73	283.95
<b>NAV per Share (HK\$)</b>	N/A	0.22	N/A	0.249
<b>Adjusted NAV per Share (HK\$)</b>	N/A	0.097	N/A	0.111

*Source: 2015 Annual Report and 2016 Interim Report*

According to the 2016 Interim Report, the goodwill of approximately RMB312.73 million arose from the acquisitions of subsidiaries and relevant exchange realignment in FY2015. Such newly acquired subsidiaries are engaged in the money lending and e-commerce business segments of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are segment profit/ (loss) of the Group for FY2014, FY2015 and 1H2016:

**Table 6: Segmental profit/(loss) of the Group**

	<b>Unaudited</b>	<b>Audited</b>	
	<b>Six months</b>	<b>For the year ended</b>	
	<b>ended</b>	<b>31 December</b>	
	<b>30 June</b>	<b>2015</b>	<b>2014</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
<b>Segment profit/(loss)</b>			
Manufacture and sale of advanced steel flow control products	(39.17)	(165.62)	(167.59)
Manufacture and the sale of paper converting equipment and other relating equipment	(1.51)	(55.42)	(5.34)
Money lending <sup>1</sup>	4.10	(35.60)	–
E-commerce <sup>1</sup>	(12.36)	(2.49)	–
	<u>(48.94)</u>	<u>(259.13)</u>	<u>(172.93)</u>
<b>Total</b>	<b><u>(48.94)</u></b>	<b><u>(259.13)</u></b>	<b><u>(172.93)</u></b>

*Source: 2015 Annual Report and 2016 Interim Report*

*Note:*

- 1 The acquisitions of money lending business and e-commerce business were completed in March and November 2015 respectively.

Based on the above table, both money lending and e-commerce businesses suffered losses in FY2015 and the aggregate performance of the two business segments recorded losses of approximately RMB38.09 million and RMB8.26 million in FY2015 and 1H2016 respectively. The goodwill arising from subsidiaries acquisitions therefore only captures the expected synergy which is arguably unrealised and does not provide any immediate profitability to the Group.

In addition, NAV should measure the realisable value of a company after settling all its liability at a particular date. Unless the two newly acquired subsidiaries could instantly be disposed of at higher consideration to third parties than the Group's original acquisition costs, the goodwill would not contribute any monetary value to its Shareholders at the moment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the uncertainty in value realisation, high fluctuation of goodwill and recent performance of the newly acquired business segments for FY2015 and 1H2016, we are of the view that a comparison against the Adjusted NAV would be a more appropriate measurement to evaluate the fairness and reasonableness of the Subscription Price.

The Subscription Price of HK\$0.166 represents:

- (i) premium of approximately 49.55% and 71.13% from the Adjusted NAV per Share of HK\$0.111 and HK\$0.097 as at 31 December 2015 and 30 June 2016 respectively; and
- (ii) discount of approximately 33.33% and 24.55% from the net asset values per Share of HK\$0.249 and HK\$0.220 as at 31 December 2015 and 30 June 2016 respectively.

Although (i) the Subscription Price was lower than the average closing prices of the Shares during both the One-Year Review Period and Five-Month Review Period; (ii) the lowest closing prices of the Shares were higher than the Subscription Price throughout the One-Year Review Period and Five-Month Review Period; and (iii) the Subscription Price was lower than the NAV per Share as at 30 June 2016 and as at 31 December 2015, we note that (i) the closing prices of the Shares had shown a general downward trend and experienced a drop of approximately 7.21% during the Five-Month Review Period; (ii) the discounts as represented by the Subscription Price on the closing price on the Last Trading Day and the average closing price for the last five consecutive trading days are smaller as compared to those under the 2016 April Placing; and (iii) the Subscription Price represents a premium of approximately 71.13% of the Adjusted NAV per Share as at 30 June 2016. In light of the above, we are of the view that the Subscription Price is acceptable.

### **Comparison with other placing/subscription comparables**

In order to reflect the general trend of Subscription exercise in the recent market, we have, on a best effort basis, conducted a search of all recent placing/subscription exercises under specific mandates that were announced during the six-month period immediately before the Last Trading Day, which commenced from 7 March 2016 up to and including the Last Trading Day (the “**Comparison Period**”). We are of the opinion that due to the volatility of the share prices of the companies listed on the Stock Exchange, the Comparison Period reflects a fair and recent period of comparison for the Subscription. During the Comparison Period and based on our research conducted, we identified a total of 19 placing/subscription exercises announced (the “**Subscription Comparables**”). To the best of our knowledge effort and endeavour and based on our search conducted, the list of the Subscription Comparables is an exhaustive list of comparable placing/subscription exercises for comparison purpose. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Subscription Comparables and we have not conducted any in-depth investigation into their businesses and operations. As such, we believe that the Subscription Comparables are fair and indicative in reflecting the current market conditions although not all

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the placing or subscription shares under the Subscription Comparables are issued to connected persons of the respective issuers. The details are set out below:

**Table 7: Comparable analysis of the Subscription Comparables**

Date of announcement	Company name	Stock code	Fund raising size (gross proceeds) <i>(HK\$ million)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last trading day <i>(%)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last five trading day <i>(%)</i>
17/08/2016	Alltronics Holdings Limited	833	78.30	(50.17)	(50.07)
07/08/2016	Tech Pro Technology Development Limited	3823	325.00	(16.67)	7.30
05/08/2016	Ground Properties Company Limited	989	130.00	(18.03)	(17.08)
04/08/2016	DBA Telecommunication (Asia) Holdings Limited	3335	30.00	(70.40)	(84.00)
18/07/2016	Luxey International (Holdings) Limited	8041	30.00	(45.95)	(45.53)
13/07/2016	China Grand Pharmaceutical and Healthcare Holdings Limited	512	151.20	(1.41)	0.00
08/06/2016	ASR Logistics Holdings Limited ( <i>currently known as Beijing Sports and Entertainment Industry Group Ltd.</i> )	1803	140.00	(5.40)	(12.50)
27/05/2016	Suchuang Gas Corporation Limited	1430	82.33	19.16	18.27

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Date of announcement	Company name	Stock code	Fund raising size (gross proceeds) <i>(HK\$ million)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last trading day <i>(%)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last five trading day <i>(%)</i>
24/05/2016	CPMC Holdings Limited	906	239.20	(21.00)	(20.00)
20/05/2016	China Green (Holdings) Limited	904	575.00	(59.02)	(59.81)
19/05/2016	Sino Haijing Holdings Limited	1106	600.00	(29.08)	(29.08)
17/05/2016	New Times Energy Corporation Limited	166	448.14	(3.14)	(1.28)
03/05/2016	Skyway Securities Group Limited	1141	459.00	(13.46)	(14.69)
03/05/2016	China Communication Telecom Services Co. Limited	8206	180.50	0.00	0.00
27/04/2016	Hin Sang Group (International) Holding Co. Ltd.	6893	100.00	(33.33)	(22.37)
21/03/2016	Victory City International Holdings Limited	539	292.50	0.87	3.00
16/03/2016	FU JI Food and Catering Services Holdings Limited <i>(currently known as Fresh Express Delivery Holdings Group Co., Ltd.)</i>	1175	243.28	0.00	(1.10)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Date of announcement	Company name	Stock code	Fund raising size (gross proceeds) <i>(HK\$ million)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last trading day <i>(%)</i>	Premium/ (discount) of placing/ subscription price over/to the share price as at the last five trading day <i>(%)</i>
15/03/2016	CST Mining Group Limited <i>(currently known as NetMind Financial Holdings Limited)</i>	985	624.00	19.05	20.48
08/03/2016	China Kingstone Mining Holdings Limited	1380	200.00	(2.91)	21.07
Minimum discount/Maximum premium:				19.16	21.07
Maximum discount:				(70.40)	(84.00)
Average:				(17.42)	(15.13)
Median:				(13.46)	(12.50)
<b>Company</b>	<b>Sinoref Holdings Limited</b>	1020	34.43	(14.00)	(10.75)

*Source: Stock Exchange*

As shown in the above table, the placing/subscription price of the Subscription Comparables represented a range from a premium of approximately 19.16% to a discount of approximately 70.40% with an average of approximately 17.42% discount and a median of approximately 13.46% discount to the respective closing prices of their shares on the last trading day prior to/on the date of the release of the respective placing/subscription announcements. The discount of approximately 14.00% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price falls within the range and is also below the average discount of the Subscription Comparables.

Furthermore, the placing/subscription price of the Subscription Comparables represented a range from a premium of approximately 21.07% to a discount of approximately 84.00% with an average of approximately 15.13% discount and a median of approximately 12.50% discount to the respective closing prices of their shares for the last five consecutive trading days prior to the date of the release of the respective placing/subscription announcements. The discount of approximately 10.75% to the closing price of the Shares for the last five consecutive trading days prior to and including the Last Trading Day as represented by the Subscription Price also falls within the range and is below both the average and median discount of the Subscription Comparables.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to further fine-tune our research on comparable analysis, we have tried to select companies with similar principal business activities as the Group among the companies in the Subscription Comparables but none were identified. Therefore, we proceeded to refine our research based on the market capitalisation criteria that is comparable to the Company. With reference to the Company's market capitalisation as at the Last Trading Day of HK\$574.9 million, we have excluded those companies with market capitalisation of a range of HK\$300 million from the Company, i.e., less than HK\$274.9 million or more than HK\$874.9 million, which are less comparable to the Company. Subsequent to this refinement in our search, we have identified a total of 5 placing/subscription exercises announced during the Comparison Period (the "Specific Subscription Comparables"). We consider that the Specific Subscription Comparables provides a general reference on terms of placing/subscription exercises announced by companies listed on the Stock Exchange of similar sized market capitalisation as that of the Company. The details are set out below:

**Table 8: Comparable analysis of the Specific Subscription Comparables**

Date of announcement	Company name	Stock code	Fund raising size (gross proceeds) (HK\$ million)	Premium/ (discount) of placing/ subscription price over/to the share price as at the last trading day (%)	Premium/ (discount) of placing/ subscription price over/to the share price as at the last five trading day (%)
18/07/2016	Luxey International (Holdings) Limited	8041	30.00	(45.95)	(45.53)
19/05/2016	Sino Haijing Holdings Limited	1106	600.00	(29.08)	(29.08)
03/05/2016	China Communication Telecom Services Co. Limited	8206	180.50	0.00	0.00
16/03/2016	FU JI Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Ltd.)	1175	243.28	0.00	(1.10)
08/03/2016	China Kingstone Mining Holdings Limited	1380	200.00	(2.91)	21.07
Minimum discount/Maximum premium:				0.00	21.07
Maximum discount:				(45.95)	(45.53)
Average:				(15.59)	(10.93)
Median:				(2.91)	(1.10)
<b>Company</b>	<b>Sinoref Holdings Limited</b>	1020	34.43	(14.00)	(10.75)

Source: Stock Exchange

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the placing/subscription price of the Specific Subscription Comparables represented discounts ranging from approximately nil to approximately 45.95% with an average of approximately 15.59% to the respective closing prices of their shares on the last trading day prior to/on the date of the release of the respective placing/subscription announcements. The discount of approximately 14.00% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price falls below the average discount of the Specific Subscription Comparables.

Furthermore, the placing/subscription price of the Specific Subscription Comparables represented a range from a premium of approximately 21.07% to a discount of approximately 45.53% with an average of approximately 10.93% discount to the respective closing prices of their shares for the last five consecutive trading days prior to the date of the release of the respective placing/subscription announcements. The discount of approximately 10.75% to the closing price of the Shares for the last five consecutive trading days prior to and including the Last Trading Day as represented by the Subscription Price also falls below the average discount of the Specific Subscription Comparables.

Based on the above and having considered in particular that:

- (i) the Subscription and the redemption of the Promissory Note would reduce the financing costs, decrease the liability and hence the gearing ratio of the Company whilst enlarge its capital base as discussed in the subsection in this letter headed “Reasons for and the benefits of the Subscription”;
- (ii) the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber with reference to the historical market prices of the Shares, the prevailing market conditions and the NAV per Share;
- (iii) although the Subscription Price is lower than both the average and lowest closing prices of the Shares throughout the One-Year Review Period and the Five-Month Review Period, the Subscription Price nevertheless represents a smaller discount to the last closing price and the average closing price for the last five consecutive trading days as compared to those under the 2016 April Placing recently completed and a premium from the Adjusted NAV per Share as at 30 June 2016 and 31 December 2015, which we consider as acceptable; and
- (iv) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day and to the closing prices of the Shares for the last five consecutive trading days prior to the Last Trading Day are below the average discount of the corresponding placing/subscription prices of the shares of both the Subscription Comparables and the Specific Subscription Comparables over the share prices on the last trading days and for the last five consecutive trading days prior to/on the date of the release of the respective placing/subscription announcements,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Possible dilution effect on shareholding of the Company

The following table sets forth the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Subscription:

**Table 9: Shareholding structure of the Company**

	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Subscription</b>	
	<i>(Number of Shares)</i>	<i>(%)</i>	<i>(Number of Shares)</i>	<i>(%)</i>
Subscriber	0	0.00	207,400,000	6.51
Public Shareholders	<u>2,978,612,000</u>	<u>100.00</u>	<u>2,978,612,000</u>	<u>93.49</u>
Total	<u>2,978,612,000</u>	<u>100.00</u>	<u>3,186,012,000</u>	<u>100.00</u>

As shown in the table above, as there are no controlling shareholder and/or substantial shareholder in the Company, the public Shareholders will be diluted from 100.00% of the issued share capital of the Company as at the Latest Practicable Date to approximately 93.49% immediately after completion of the Subscription. The Company considers that the dilution is not substantial and the interest of the existing Shareholders will not be materially affected.

Having considered that: (i) the Subscription would decrease the liability and hence gearing ratio of the Company and enlarge its capital base; (ii) the Subscription Price was determined after arm's length negotiation between the Company and the Subscriber; and (iii) the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned, we are of the view that the dilution effect is acceptable.

### POSSIBLE FINANCIAL EFFECTS OF THE SUBSCRIPTION

#### Effect on NAV

According to the 2016 Interim Report, the NAV of the Group as at 30 June 2016 was approximately RMB561.27 million. Upon completion of the Subscription and redemption of the Promissory Note, the net assets of the Group will increase by approximately RMB29.55 million (approximately HK\$34.43 million). As such, the Subscription is expected to have a positive impact on the financial position of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Effect on gearing

The total liability of the Group would be reduced while the total equity of the Group would increase upon completion of the Subscription and redemption of the Promissory Note. As gearing ratio is calculated based on total debts divided by total assets, consequently, the gearing ratio of the Group will reduce immediately upon completion of the Subscription.

### RECOMMENDATION

Having taken into consideration of, in particular that:

- (i) the Subscription and the redemption of the Promissory Note would decrease the liability and hence gearing ratio of the Company and enlarge its capital and reducing its financing costs base as discussed in the sub-section headed “Reasons for and benefits of the Subscription”;
- (ii) the PRC government is reducing the steel production capacity in China which leads to a slowdown in steel production industry;
- (iii) the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber with reference to the historical market prices of the Shares, the prevailing market conditions and the NAV per Share;
- (iv) the closing prices of the Shares had shown a general downward trend and a drop of approximately 7.21% during the Five-Month Review Period;
- (v) although the Subscription Price is lower than both the average and lowest closing prices of the Shares throughout the One-Year Review Period and the Five-Month Review Period, the Subscription Price nevertheless represents a smaller discount to the last closing price and the average closing price for the last five consecutive trading days as compared to those under the 2016 April Placing recently completed and a premium from the Adjusted NAV per Share as at 30 June 2016 and 31 December 2015, which we consider as acceptable;
- (vi) The discount to the closing price of the Shares on the Last Trading Day and for the last five consecutive trading days prior to and including the Last Trading Day as represented by the Subscription Price falls below the average discount of the Specific Subscription Comparables; and
- (vii) the dilution effect of the Subscription is acceptable,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the view that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**

**Alvin Lai**  
*Chief Executive Officer*

**Koh Kwai Yim**  
*Executive Director*

Mr. Alvin Lai is the Chief Executive Officer of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Alvin Lai has over 16 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has acted as financial adviser and/or independent financial adviser to many companies and transactions involving fundraising and/or mergers and acquisition in Asia.

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Lina Koh has over 16 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long positions in Shares*

Name	Capacity/nature of interest	Number of shares	Approximate % of total issued share capital
Sin Kwok Wai Ronald	Personal	2,452,000	0.008%
Lu Yong Chao	Personal	6,100,000	0.20%

Save as aforesaid, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

#### 5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

#### 6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up.

#### 7. EXPERT AND CONSENT

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

<b>Name</b>	<b>Qualification</b>
Opus Capital	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Opus Capital had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, 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.

Opus Capital has given and has not withdrawn its written letters of consent to the issue of this circular with the inclusion herein of references to their names in the form and context in which they appear.

#### **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday) at the principal place of business of the Company in Hong Kong at Office B, 15th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong from the date of this circular up to and including 25 October 2016:

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 12 to 35 of this circular;
- (d) the written consent from Opus Capital referred to in the section headed “Expert and Consent” in this appendix; and
- (e) the consolidated financial statements of the Company for each of the years ended 31 December 2014 and 2015.



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**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**SINOREF**  
**SINOREF HOLDINGS LIMITED**  
**華耐控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1020)**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Sinoref Holdings Limited (the “Company”) will be held at Office B, 15th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong on 25 October 2016 at 11:00 a.m. to consider and, if thought fit, to pass with or without amendments, the following resolution:

**ORDINARY RESOLUTION**

**“THAT**

- (a) the conditional Subscription Agreement as defined in the circular dated 7 October 2016 despatched to the shareholders of the Company (the “Circular”), a copy of the Subscription Agreement has been produced to this meeting marked “A” and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Subscription Agreement and the transactions contemplated thereunder and, where required, any amendment of the terms of the Subscription Agreement as required by, or for the purposes of obtaining the approval of, relevant authorities or to comply with all applicable laws, rules and regulations.”

By order of the Board  
**Sinoref Holdings Limited**  
**Xu Yejun**  
*Chairman*

Hong Kong, 7 October 2016

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business*

*in Hong Kong:*  
Office B, 15th Floor,  
Teda Building,  
87 Wing Lok Street,  
Sheung Wan, Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or if he is the holder of two or more shares, more than one person as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.

*As at the date of this notice, the executive Directors are Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald, the non-executive Directors are Mr. Chow Chi Wa and Ms. Yip Sum Yu and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang.*