
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Ruixin International Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, 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 transferee.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



RUIXIN INTERNATIONAL HOLDINGS LIMITED

瑞鑫國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

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



VC CAPITAL LIMITED

滙盈融資有限公司

A notice convening a special general meeting of Ruixin International Holdings Limited to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Monday, 16 January 2017 at 11:00 a.m. is set out on pages 31 to 32 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/ruixin).

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

29 December 2016

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	12
Letter from the Independent Financial Adviser	14
Appendix – General Information	28
Notice of Special General Meeting	31

DEFINITIONS

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

“2015 Annual Report”	the annual report of the Company for the year ended 31 December 2015
“2016 Interim Report”	the interim report of the Company for the six months ended 30 June 2016
“Alteration of Terms”	the proposed alteration of certain terms and conditions of the outstanding Convertible Notes pursuant to the terms of the Deed of Further Variation
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to conduct 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, the financial adviser to the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CLI”	CITIC Logistics (International) Company Limited, a company incorporated in Hong Kong with limited liability
“Company”	Ruixin International Holdings Limited (formerly known as Sino-Tech International Holdings Limited), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	being HK\$0.035 per Share
“Conversion Share(s)”	7,440,000,000 new Shares to be allotted and issued following the exercise by the holder(s) of the outstanding Convertible Notes of his/her/their rights at the Conversion Price
“Convertible Notes”	the zero coupon convertible notes issued by the Company on 16 November 2009 pursuant to the terms of the S&P Agreement as amended by the Deed of Variation

DEFINITIONS

“Deed of Further Variation”	the deed of further variation dated 14 December 2016 entered into between the Company and the Noteholder in relation to the Alteration of Terms
“Deed of Variation”	the deed of variation dated 14 November 2014 entered into between the Company and the Noteholder in relation to the alteration of certain terms and conditions of the then outstanding Convertible Notes
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	a Board committee comprising all independent non-executive Directors established to make recommendation to the Independent Shareholders in relation to the Deed of Further Variation and the transactions contemplated thereunder
“Independent Financial Adviser” or “VC Capital”	VC Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Further Variation and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholders excluding Mr. Li and his associates
“Latest Practicable Date”	23 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Li”	Mr. Li Weimin, who is interested in approximately 12.55% of the total issued share capital of the Company and the Noteholder as at the Latest Practicable Date
“Noteholder”	Mr. Li, the holder of the outstanding Convertible Notes
“Original Conversion Price”	being HK\$0.12 per Share
“S&P Agreement”	the sale and purchase agreement dated 13 September 2009 entered into among the Company, Top Victory Industries Limited (which was a wholly-owned subsidiary of the Company and the purchaser) and Mr. Li (as the vendor) in relation to acquisition of the entire issued share capital of CLI
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Monday, 16 January 2017 at 11:00 a.m. and, if thought fit, approve, among others, the Deed of Further Variation and the transactions contemplated thereunder
“Share(s)”	existing ordinary shares of HK\$0.01 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
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Shares Buy-backs issued by the Securities and Futures Commission of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



RUIXIN INTERNATIONAL HOLDINGS LIMITED

瑞鑫國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

Executive Directors:

Mr. Wang Zhaofeng (*Chairman*)

Mr. Lam Yat Keung

Mr. Huang Hanshui

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

Independent non-executive Directors:

Mr. Ho Chi Fai

Ms. Liu Yanfang

Mr. Zhang Jue

Principal place of business:

18th Floor

Times Media Centre

133 Wan Chai Road

Hong Kong

29 December 2016

To the Shareholder(s)

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

BACKGROUND

Reference is made to the announcements dated 23 September 2009, 14 November 2014, 17 November 2014 and 9 January 2015, and the circulars dated 19 October 2009 and 19 December 2014 of the Company in relation to, among other things, (1) the issue of the convertible notes; and (2) the alteration of certain terms and conditions of the then outstanding Convertible Notes. Pursuant to the S&P Agreement, on 16 November 2009, the Company issued the convertible notes in the total principal amount of HK\$950,400,000 for partial settlement of the consideration for the acquisition of CLI. Pursuant to the Deed of Variation, on 9 January 2015, the maturity date of the then outstanding Convertible Notes was extended from 15 November 2014 to 31 December 2016 and the Original Conversion Price of HK\$0.12 per Share was adjusted to the Conversion Price of HK\$0.035 per Share.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 14 December 2016 in relation to the entering into the Deed of Further Variation to amend certain terms and conditions of the outstanding Convertible Notes. Out of the convertible notes in the total principal amount of HK\$950,400,000, HK\$36,000,000 was redeemed in May 2011 and HK\$654,000,000 were converted to 6,300,000,000 Conversion Shares between years 2010 and 2015. As at the Latest Practicable Date, Convertible Notes in an aggregate principal amount of HK\$260,400,000, convertible into Shares at the Conversion Price of HK\$0.035 per Share, are outstanding and held by the Noteholder. The outstanding Convertible Notes are unsecured and shall mature on 31 December 2016.

The purpose of this circular is to provide you with, among other things, details of the Deed of Further Variation and the Alteration of Terms contemplated thereunder, the letters from the Independent Board Committee and the Independent Financial Adviser and the notice convening the SGM for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the Deed of Further Variation and the transactions contemplated thereunder.

DEED OF FURTHER VARIATION

Date: 14 December 2016 (after trading hours)

Parties: (i) the Company
(ii) the Noteholder

Alteration of Terms

Pursuant to the Deed of Further Variation, it is agreed that, subject to fulfillment of conditions precedent, the maturity date of the outstanding Convertible Notes will be extended from 31 December 2016 to 31 January 2019.

Save for the above proposed alteration under the Deed of Further Variation, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

The Alteration of Terms was arrived at after arm's length negotiations between the Company and the Noteholder with reference to, among others, the existing financial condition and resources of the Group.

LETTER FROM THE BOARD

Conversion Shares

Assuming full conversion of the outstanding Convertible Notes in the principal amount of HK\$260,400,000 at the Conversion Price of HK\$0.035 per Share, 7,440,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 53.57% of issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 34.88% of issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming none of the outstanding options of the Company is exercised.

Conversion Price

The Conversion Price of HK\$0.035 per Share represents:

- (i) a discount of approximately 7.89% to the closing price of the Shares of HK\$0.0380 per Share as quoted on the Stock Exchange on 14 December 2016, being the date of the Deed of Further Variation;
- (ii) a discount of approximately 9.33% to the average closing price of HK\$0.0386 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Further Variation; and
- (iii) a discount of approximately 5.41% to the closing price of HK\$0.0370 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfillment of all the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM approving (i) the Deed of Further Variation and the transactions contemplated thereunder, (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Notes, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Notes as varied by the Deed of Further Variation;

LETTER FROM THE BOARD

- (b) the approval from Noteholder of more than 50% of the aggregate principal amount of the outstanding Convertible Notes approving the Alteration of Terms having been obtained by the Company;
- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon an exercise of the conversion rights attaching to the outstanding Convertible Notes in accordance with the conditions of the Convertible Notes as varied by the Deed of Further Variation; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Further Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Noteholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of the condition precedent last in time to be fulfilled.

None of the conditions precedent can be waived. If any of the above conditions precedent has not been fulfilled on or before 31 March 2017 (or such other date as may be agreed by the parties to the Deed of Further Variation in writing) the Deed of Further Variation shall lapse and be of no further effect and none of the parties to this Deed of Further Variation will have any claim against or liability to the other parties in respect of the Deed of Further Variation save for any antecedent breaches thereof.

As at the Latest Practicable Date, condition (b) and (d) above have been fulfilled.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEED OF FURTHER VARIATION

The outstanding Convertibles Notes in an aggregate principal amount of HK\$260,400,000 with the Conversion Price of HK\$0.035 per Share bear no interest and will mature on 31 December 2016.

As reported in the 2015 Annual Report and the 2016 Interim Report, the Group incurred a loss of approximately HK\$23.2 million for the year ended 31 December 2015 and a further loss of approximately HK\$43.1 million for the six months ended 30 June 2016. Further, as at 30 June 2016, the Group's total assets were approximately HK\$384.3 million, majority of which comprised inventories of approximately HK\$89.5 million, trade and bills receivables of approximately HK\$206.6 million and bank balances and cash of approximately HK\$61.7 million. The Board is of the view that these assets are operational in nature and should not be liquidated for the purpose of funding the redemption of the outstanding Convertible Notes.

LETTER FROM THE BOARD

As stated in the 2016 Interim Report, the Company did not forecast that the Group could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 31 December 2016). In this respect, the Company had negotiated with the Noteholder in relation to the alteration of terms of the Convertible Notes and at the same time, the Company had also considered fund raising possibility. Yet, in view of the recent financial performance and the financial position of the Group, the Company had not been able to secure any funds on terms acceptable to the Company to redeem the outstanding Convertible Notes.

Pursuant to the terms of the Deed of Further Variation, the outstanding Convertible Notes will mature on 31 January 2019, which will relieve the pressure on the Company to seek urgent funding to redeem the outstanding Convertible Notes. Further, as the Convertible Notes are zero coupon and do not carry any interest charges, the Company shall incur no interest payment to the Noteholder by entering into the Deed of Further Variation. The Company will continue to seek fund raising possibilities in the debt or capital markets to redeem the outstanding Convertible Notes.

Having considered the above, the Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the terms of the Deed of Further Variation are fair and reasonable and the entering into of the Deed of Further Variation is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the outstanding Convertible Notes. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Further Variation.

MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Company will seek the grant of a specific mandate from the Independent Shareholders at the SGM to cater for the allotment and issue of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Further Variation.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the outstanding Convertible Notes by the Noteholder at HK\$0.035 per Share, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the outstanding Convertible Notes at HK\$0.035 per Share are illustrated as follows:

Name	As at the Latest Practicable Date		Immediately upon full conversion of the outstanding Convertible Notes at Conversion Price (Note)	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Mr. Li (or the Noteholder)	1,742,985,823	12.55	9,182,985,823	43.05
Public Shareholders	<u>12,146,212,757</u>	<u>87.45</u>	<u>12,146,212,757</u>	<u>56.95</u>
Total:	<u>13,889,198,580</u>	<u>100.00</u>	<u>21,329,198,580</u>	<u>100.00</u>

Note: It is for illustration purpose only as Mr. Li and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the S&P Agreement and will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of the Terms has been submitted to the Stock Exchange by the Company. On 21 December 2016, the Stock Exchange confirmed its approval of the proposed Alternation of Terms subject to fulfillment of all other conditions under the Deed of Further Variation including approval by the Independent Shareholders at the SGM.

Mr. Li is interested in approximately 12.55% of the total issued share capital of the Company and a substantial Shareholder as at the Latest Practicable Date. In addition, he resigned as the chairman of the Company and an executive Director with effect from 26 February 2016. As Mr. Li is a connected person of the Company, the entering into of the Deed of Further Variation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Deed of Further Variation and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

LETTER FROM THE BOARD

GENERAL

The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendation to the Independent Shareholders on the Deed of Further Variation and the transactions contemplated thereunder. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Deed of Further Variation and the transactions contemplated thereunder has been set out at pages 12 to 13 of this circular.

None of the Directors and their respective associates have material interest in the Deed of Further Variation and the transactions contemplated thereunder and none were required to abstain from voting on the board resolutions in relation to the Deed of Further Variation and the transactions contemplated thereunder.

VC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and a letter from VC Capital to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Deed of Further Variation and the transactions contemplated thereunder has been set out at pages 14 to 27 of this circular.

SGM

Set out on pages 31 to 32 of this circular is a notice convening the SGM to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Monday, 16 January 2017 at 11:00 a.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Deed of Further Variation and the transactions contemplated thereunder. Mr. Li together with his associates, who altogether held 1,742,985,823 issued Shares, representing approximately 12.55% of the total issued share capital of the Company as at the Latest Practicable Date are required to abstain from voting in respect of the resolution approving the Deed of Further Variation and the transactions contemplated thereunder at the SGM. Saved as disclosed, no other Shareholders have material interest in the Deed of Further Variation and the transactions contemplated thereunder and are required to abstain from voting at the SGM.

Approval of the Independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Deed of Further Variation and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting if they so wish.

RECOMMENDATION

With reference to the "Reasons for and Benefits of Entering into the Deed of Further Variation" as stated above, the Board (excluding the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) considers that the terms of the Deed of Further Variation are fair and reasonable and the entering into the Deed of Further Variation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution in relation to the Deed of Further Variation and the transactions contemplated thereunder as set out in the notice of SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Ruixin International Holdings Limited
Huang Hanshui
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



RUIXIN INTERNATIONAL HOLDINGS LIMITED

瑞鑫國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

29 December 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES**

We refer to the circular dated 29 December 2016 issued by the Company (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Deed of Further Variation and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Deed of Further Variation. VC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, as set out on pages 14 to 27 of the Circular, which contains its advices in respect of the Deed of Further Variation and the transactions contemplated thereunder, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Deed of Further Variation, the transactions contemplated thereunder and taking account of the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Deed of Further Variation are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the proposed Alteration of Terms and the granting of the specific mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Deed of Further Variation and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Ho Chi Fai
*Independent non-executive
Director*

Ms. Liu Yanfang
*Independent non-executive
Director*

Mr. Zhang Jue
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from VC Capital Limited in respect of the Deed of Further Variation for the purpose of incorporation into this circular.



29 December 2016

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

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Deed of Further Variation are fair and reasonable and on normal commercial terms; and (ii) the Alteration of Terms is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, 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 29 December 2016 (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 otherwise requires.

On 14 December 2016, the Company announced the entering into the Deed of Further Variation with the Noteholder to extend the maturity date of outstanding Convertible Notes from 31 December 2016 to 31 January 2019 subject to the fulfillment of conditions precedent. All other terms and conditions of the outstanding Convertible Notes will remain unchanged. The convertible notes were issued by the Company on 16 November 2009 in total principal amount of HK\$950,400,000 for partial settlement of the consideration for an acquisition. Pursuant to the Deed of Variation which was approved at a special general meeting of the Company on 9 January 2015, the maturity date of the then outstanding Convertible Notes was extended from 15 November 2014 to 31 December 2016 and the conversion price was adjusted from HK\$0.12 per Share to HK\$0.035 per Share. As at the Latest Practicable Date, Convertible Notes in an aggregate principal amount of HK\$260,400,000, convertible into Shares at conversion price of HK\$0.035 per Share, are outstanding and held by the Noteholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Noteholder is interested in (i) approximately 12.55% of the total issued share capital of the Company; and (ii) a derivative interest in 7,440,000,000 conversion shares to be allotted and issued upon full conversion of the outstanding Convertible Notes issued to him by the Company with an aggregate principal amount of HK\$260,400,000. The Noteholder resigned as the chairman of the Company and an executive Director with effect from 26 February 2016. As the Noteholder is a substantial Shareholder and a connected person of the Company, the entering into the Deed of Further Variation with the Noteholder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The entering into the Deed of Further Variation and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of Terms has been submitted to the Stock Exchange by the Company. On 21 December 2016, the Stock Exchange confirmed its approval of the proposed Alteration of Terms subject to fulfillment of all other conditions under the Deed of Further Variation including approval by the Independent Shareholders at the SGM.

The SGM will be convened by the Company to consider and, if thought fit, approve the Deed of Further Variation and the transactions contemplated thereunder by way of poll. The Noteholder together with his associates, who altogether held 1,742,985,823 issued Shares, representing approximately 12.55% of the total issued share capital of the Company as at the Latest Practicable Date are required to abstain from voting in respect of the resolution approving the Deed of Further Variation and the transactions contemplated thereunder at the SGM. Saved as disclosed, no other Shareholders have material interest in the Deed of Further Variation and the transactions contemplated thereunder and are required to abstain from voting at the SGM.

An Independent Board Committee, comprising Mr. Ho Chi Fai, Ms. Liu Yanfang and Mr. Zhang Jue has been established to make recommendation to the Independent Shareholders as to whether (i) the terms of the Deed of Further Variation are fair and reasonable and on normal commercial terms; (ii) the Alteration of Terms is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the SGM on the ordinary resolution(s) regarding the Deed of Further Variation and transactions as contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether (i) the terms of the Deed of Further Variation are fair and reasonable and on normal commercial terms; (ii) the Alteration of Terms is in the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the SGM on the ordinary resolution(s) regarding the Deed of Further Variation and the transactions contemplated thereunder. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Deed of Further Variation has been approved by the Independent Board Committee.

VC Capital Limited (“**VC Capital**”) is not associated with the Company, the Noteholder or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the Deed of Further Variation and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company, the Noteholder or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Deed of Further Variation, we have taken into consideration the following principal factors and reasons:

(1) Background information of the Group

The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components.

The table below sets out a summary of financial information of the Group for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 as extracted from the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report") and the Company's interim report for the six months ended 30 June 2016 (the "2016 Interim Report"):

	For the year ended		For the six months	
	31 December		ended 30 June	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	599,867	545,055	258,908	223,963
Gross profit	33,300	32,620	15,269	13,062
(Loss)/profit before tax	(40,434)	(23,211)	8,114	(26,485)
(Loss)/profit for the year/period	(40,434)	(23,211)	8,114	(43,113)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		As at 30
	2014	2015	June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Non-current assets	33,671	29,554	22,941
Current assets	366,200	378,763	361,335
Current liabilities	368,230	327,400	346,267
Non-current liabilities	143	144	145
Net current (liabilities)/assets	(2,030)	51,363	15,068
Net assets	31,498	80,773	37,864

(i) For the year ended 31 December 2014 and 2015

Revenue of the Group decreased by approximately 9.1% from approximately HK\$599.9 million for the year ended 31 December 2014 to approximately HK\$545.1 million for the year ended 31 December 2015. As mentioned in the 2015 Annual Report, the decrease was mainly attributable to the volatility and uncertainty of the business environment in the People's Republic of China (the "PRC") during the year ended 31 December 2015. Loss for the year ended 31 December 2015 decreased to approximately HK\$23.2 million from approximately HK\$40.4 million for the year ended 31 December 2014. The reduction in loss was mainly due to the gain on modification of terms of Convertible Notes, which partly offset, among others, the increased operating loss and the imputed interest expenses on Convertible Notes. The increase in operating loss was mainly due to the expansion of loss from the electronic products business as a result of, among others, the drop in revenue, the increase in distribution costs and the increase in minimum wages in the PRC.

On 9 January 2015, the ordinary resolution of the special general meeting was duly passed and the extension of the maturity date and the adjustment of the conversion price of the outstanding Convertible Notes pursuant to the Deed of Variation became effective. Immediately following the modification of terms of Convertible Notes, the estimated financial effect of the modification was a recognition of gain of approximately HK\$27.8 million credited to profit or loss and a transfer of approximately HK\$35.3 million from the Convertible Notes reserve to accumulated losses during the year ended 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total non-current asset decreased from approximately HK\$33.7 million as at 31 December 2014 to approximately HK\$29.6 million as at 31 December 2015 mainly due to the depreciation of property, plant and equipment. The Group turned from a net current liability position of approximately HK\$2.0 million as at 31 December 2014 to a net current asset position of approximately HK\$51.4 million as at 31 December 2015. Net assets increased from approximately HK\$31.5 million as at 31 December 2014 to approximately HK\$80.8 million as at 31 December 2015. The increase in net current assets and net assets were mainly due to the decrease in Convertible Notes as a result of the modification of terms of Convertible Notes and the conversion of part of the Convertible Notes into the Company's shares during the year ended 31 December 2015 as well as increase in bank balances and cash from the subscription of new ordinary Shares by two subscribers on 9 November 2015. As mentioned in the 2015 Annual Report, during the year ended 31 December 2015, the Convertible Notes with an aggregate principal amount of HK\$42.0 million were converted into 1,199,999,998 new ordinary shares of HK\$0.01 each in the capital of the Company (the "**Conversion**"). Following the Conversion and as at 31 December 2015, the principal amount of Convertible Notes remained outstanding was HK\$260.4 million with a conversion price of HK\$0.035 per Share and the maturity date is 31 December 2016.

(ii) For the six months ended 30 June 2015 and 2016

Revenue of the Group decreased by approximately 13.5% from approximately HK\$258.9 million for the six months ended 30 June 2015 to approximately HK\$224.0 million for the six months ended 30 June 2016. As mentioned in the 2016 Interim Report, during the six months ended 30 June 2016, the electronic products business was struggling in a tough business environment, as competition was keen with the shrink in demand amid a slowdown in manufacturing. The Group turned from profit for the six months ended 30 June 2015 of approximately HK\$8.1 million to loss of approximately HK\$43.1 million for the six months ended 30 June 2016 mainly due to, among others, (i) the gain on modification of terms of Convertible Notes for the six months ended 30 June 2015 but not for the six months ended 30 June 2016; (ii) the recognition of tax expenses in relation to the Hong Kong Inland Revenue Department (the "**IRD**") enquiries of the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2014/15 for the six months ended 30 June 2016; and (iii) the increased operating loss. The increase in operating loss was mainly due to the expansion of loss from the electronic products business as a result of, among others, the drop in revenue resulting in a decrease in the overall gross profit to cover the fixed cost.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The IRD enquired the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2014/15 (the “**Tax Enquiries**”). In avoiding further lengthy objection process regarding the dispute with the IRD, the subsidiary has withdrawn the objections at the end of July 2016 and compromised with the IRD on the Tax Enquiries. The IRD has issued final tax assessments in respect of the Tax Enquiries in aggregate of approximately HK\$16.6 million. In this regard, the subsidiary has recognised tax expenses of approximately HK\$16.6 million in relation to the Tax Enquiries for the six months ended 30 June 2016.

Total non-current asset decreased from approximately HK\$29.6 million as at 31 December 2015 to approximately HK\$22.9 million as at 30 June 2016 mainly due to the depreciation of property, plant and equipment. Net current assets decreased from approximately HK\$51.4 million as at 31 December 2015 to approximately HK\$15.1 million as at 30 June 2016. Net assets of the Group decreased from approximately HK\$80.8 million as at 31 December 2015 to approximately HK\$37.9 million as at 30 June 2016. The decrease in net current assets and net assets were mainly due to (i) increase of Convertible Notes due to imputed interest charged during the period; (ii) decrease in tax recoverable and increase in tax payable mainly due to the recognition of tax expense of a subsidiary during the period; (iii) decrease of trade and bills receivables; and (iv) increase of trade and bills payables. We further note that, as at 30 June 2016, the Group had Convertible Notes with outstanding aggregate principal amount of HK\$260.4 million; however, the Group had bank balances and cash of approximately HK\$61.7 million.

Prospect

As mentioned in the 2016 Interim Report, the operating environment for manufacturers in the PRC is likely to remain challenging and would continue to have an impact on the performance of the Group’s electronic products business in the future. It is expected that persistent increase in labour costs in the PRC, keen competition in the electronic component market, and selling price pressure on electronic component products will affect the revenue and erode the profit margin of the electronic products business. To tackle with these challenges, the Group will impose severe cost control measures including the outsourcing of some labour intensive process and sourcing at a more competitive cost for its production materials and products. As mentioned in the announcement of the Company dated 16 December 2016, the Company will continue to seek other business opportunities to improve the prospect of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) Reasons and benefits of entering into the Deed of Further Variation

The Group's financial statements for the six months ended 30 June 2016 had been prepared on a going concern basis. It recorded continuous net loss for the past five financial years from 2011 to 2015 and still incurred a net loss of approximately HK\$43.1 million for the six months ended 30 June 2016. The Group also recorded net cash used in the operating activities of approximately HK\$5.3 million for the six months period ended 30 June 2016. It was mentioned in the 2016 Interim Report that the Group did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date, i.e. 31 December 2016.

In order to safeguard the interests of the Shareholders and the Company from a possible liquidation as a result of the default of the outstanding Convertible Notes, we concur with the view of the management of the Group that it is necessary for the Company to take reasonable steps to improve its financial position as early as possible. Save for entering into the Deed of Further Variation, the Company has also considered other financing methods to improve its current financial position, which will be discussed in the paragraph headed "Other alternative methods of financing" of this letter. However, as mentioned in the Letter from the Board, in view of the recent financial performance and the financial position of the Group, the Company had not been able to secure any funds on terms acceptable to the Company to redeem the outstanding Convertible Notes. The Group's inventories of approximately HK\$89.5 million and trade and bills receivables of approximately HK\$206.6 million, in aggregate representing approximately 77.0% of its total assets as at 30 June 2016 are operational in nature and should not be liquidated for the purpose of funding the redemption of the outstanding Convertible Notes. On the other hand, the Group's bank balances and cash amounted to approximately HK\$61.7 million as at 30 June 2016, which is less than the outstanding principal amount of the Convertible Notes, i.e. HK\$260,400,000.

Having considered that (i) the Group would not have sufficient internal resources to repay the outstanding principal amount of the Convertible Notes due on 31 December 2016; (ii) given the Group's current financial performance and financial position and the approaching maturity date, it would be difficult for the Company to obtain external financing on acceptable terms for the repayment of the outstanding Convertible Notes in a timely manner; (iii) the Convertible Notes are zero coupon and do not carry any interest charges; and (iv) the Alteration of Terms will allow the Company to postpone the repayment date of the outstanding principal amount of the non-interest bearing Convertible Notes under the same terms for further years until 31 January 2019, we concur with the view of the management of the Group that although the Alteration of Terms is not in the ordinary and usual course of business of the Company, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Comparable analysis

In order to assess the fairness and reasonableness of the terms of the outstanding Convertible Notes, we have reviewed the relevant issue of convertible bonds/notes by listed issuers in Hong Kong (the “**Comparables**”) as announced during the last three months prior to and including 14 December 2016, being the date of the Deed of Further Variation (the “**Comparable Period**”) and identified an exhaustive and complete list of 24 Comparables. Notwithstanding the fact that some of the Comparables are named “convertible bonds”, they are of similar nature as the Convertible Notes and are suitable for comparison with the outstanding Convertible Notes. We consider that a review period of three months is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the issue of convertible notes under the recent market condition and sentiment. Although there are differences between the listed issuers in the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Comparables can provide a market general reference for the recent market practice in relation to the issue of convertible notes under similar market conditions. Set out in Table 1 below is the summary of the Comparables:

Table 1: A summary of the Comparables

Date of announcement	Company name	Stock code	Conversion price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement (Approximate %)	Interest rate (% p.a.)	Term to maturity (Number of years)	Remarks
11-Dec-2016	Longrun Tea Group Company Limited	2898	(12.90)	5.50	2.00	
8-Dec-2016	North Mining Shares Company Limited	0433	(15.25)	10.00	2.00	
8-Dec-2016	China Railway Construction Corporation limited	1186	25.00	1.50	5.00	
6-Dec-2016	China Ocean Industry Group Limited	0651	0.00	2.00	2.00	<i>Note 1</i>
5-Dec-2016	Viva China Holdings Limited	8032	20.00	5.00	5.00	
4-Dec-2016	C&D International Investment Group Limited	1908	(7.07)	4.00	Perpetual	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Conversion price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement <i>(Approximate %)</i>	Interest rate <i>(% p.a.)</i>	Term to maturity <i>(Number of years)</i>	Remarks
28-Nov-2016	China Soft Power Technology Holdings Limited	0139	0.00	0.00	2.00	
25-Nov-2016	Beijing Capital Juda Limited	1329	(23.91)	0.01	Perpetual	
21-Nov-2016	Lamtex Holdings Ltd.	1041	0.00	2.00	2.00	
21-Nov-2016	The United Laboratories International Holdings Limited	3933	15.00	4.50	5.00	<i>Note 2</i>
20-Nov-2016	Asia Allied Infrastructure Holdings Limited	0711	1.41	10.00	1.00	
6-Nov-2016	LVGEM (China) Real Estate Investment Company Limited	0095	13.10	5.50	2.00	
3-Nov-2016	AVIC Joy Holdings (HK) Limited	0260	2.90	4.00	2.00	
28-Oct-2016	Kiu Hung International Holdings Limited	0381	(13.39)	8.00	2.00	
26-Oct-2016	Prosperity International Holdings (H.K.) Limited	0803	5.63	5.00	3.00	<i>Note 3</i>
24-Oct-2016	China Huarong Energy Company Limited	1101	116.49	7.00	2.00	
13-Oct-2016	Wuling Motors Holdings Limited	0305	22.80	4.00	3.00	
11-Oct-2016	Haitong International Securities Group Limited	0665	32.00	0.00	5.00	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Conversion price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement <i>(Approximate %)</i>	Interest rate <i>(% p.a.)</i>	Term to maturity <i>(Number of years)</i>	Remarks
11-Oct-2016	China E-Learning Group Limited	8055	(19.32)	N/A	N/A	<i>Note 4</i>
3-Oct-2016	Silverman Holdings Limited	1616	15.24	7.00	2.00	
28-Sep-2016	China Putian Food Holding Limited	1699	9.09	5.00	2.00	
26-Sep-2016	TC Orient Lighting Holdings Limited	0515	(67.21)	7.00	3.00	
21-Sep-2016	China Fortune Financial Group Limited	0290	(63.00)	2.00	3.00	
20-Sep-2016	Sun Century Group Limited	1383	4.00	0.00	2.00	
			Maximum:	116.49	10.00	Perpetual
			Minimum:	(67.21)	0.00	1.00
			Average:	2.53	4.30	2.71
			The Company:	(7.89)	0.00	9.21 <i>Note 5</i>

Notes:

- The conversion price was set as 100% of the volume weighted average price of the shares as traded on the Stock Exchange on the trading day immediately preceding the date of delivery of the relevant conversion notice by the noteholders to the company, but not be lower than minimum conversion price, which is subject to adjustments.
- The conversion price is subject to reset mechanism as mentioned in the announcement dated 21 November 2016. Conversion price was reset on 13 December 2016.
- The maturity date is subject to extension and the interest will be 8% p.a. during the extension period.
- The interest rate and the term to maturity have not been disclosed in the announcement.
- The maturity of the outstanding Convertible Notes is defined from date of the issuance until 31 January 2019.
- “N/A” and “Perpetual” items in the table have not been taken into consideration in calculating the average.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Conversion Price

During the Comparable Period, the conversion prices of the Comparables range from a discount of approximately 67.21% to the closing price on the last trading day prior to the corresponding agreement/date of corresponding agreement to a premium of approximately 116.49% over the closing price on the last trading day prior to the corresponding agreement/date of corresponding agreement. The conversion price of HK\$0.035 per Share of the outstanding Convertible Notes represents a discount of approximately 7.89% to the closing Share price on the date of the Deed of Further Variation and such discount falls within the range of conversion prices of the Comparables.

(ii) Interest rate

The interest rates of the Comparables range from nil to 10.00% p.a., with an average of approximately 4.30% p.a.. The outstanding Convertible Notes are non-interest bearing and at the bottom of the range of interest rates of the Comparables.

(iii) Term to maturity

The terms to maturity of the Comparables range from 1.00 year and up to perpetual term. The extended term to maturity of the outstanding Convertible Note (counting from date of the issuance until 31 January 2019) is approximately 9.21 years and this falls within the range of the terms to maturity of the Comparables.

Based on the above analysis of the conversion price, the interest rate and term of maturity of the outstanding Convertible Notes as compared with the Comparables and the reasons for and benefits of entering into the Deed of Further Variation as described in paragraphs above, we are of the view that the principal terms of the Deed of Further Variation including the conversion price, the interest rate and the extended term to maturity are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(4) Other alternative methods of financing

We have enquired and were informed by the management of the Group that the Company has considered other financing alternatives, including bank borrowings and equity financing. We understand from the management of the Group that bank borrowings are not possible as the financial performance of the Group is not satisfactory in the past few years. Please refer to the paragraph headed “Background information of the Group” of this letter for details of the financial performance of the Group. Further, the management of the Group is of the view that it is not beneficial to the Company to settle the outstanding Convertible Notes by means of bank borrowings as this alternative will not improve the gearing ratio or the financial position of the Group, rather it will impose interest burden and/or finance cost to the Group, which will further negatively affect the Group’s financial performance. With regard to equity financing, management of the Group, after discussing with the Company’s financial adviser, found that procurement of commercial underwriting would be difficult given the financial performance of the Group.

Based on the above and the fact that the outstanding Convertible Notes is non-interest bearing, we concur with the view of the management of the Group that the Alteration of Terms would be the best alternative available to the Company to avoid the default of the outstanding Convertible Notes which may lead to possible liquidation of the Group in near term.

(5) Financial effects of entering into the Deed of Further Variation

A. Earnings

Upon the Deed of Further Variation becoming effective, the outstanding Convertible Notes will remain as non-interest bearing. The Company will not be required to pay any interest to the Noteholder.

B. Liquidity

The entering into the Deed of Further Variation would allow postpone of a substantial cash outflow of HK\$260,400,000 as a result of repayment of the Convertible Notes, and hence help relieve the forthcoming repayment of the Group.

C. Gearing ratio

Upon the Deed of Further Variation becoming effective, both the total borrowings and total equity of the Group would not change materially, assuming no other factors affecting the financial position of the Group. As such, it is expected that the Alteration of Terms will not have any immediate material changes to the gearing position of the Group and the gearing position would improve upon the exercise of the conversion rights attaching to the Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the Deed of Further Variation.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Deed of Further Variation are fair and reasonable and on normal commercial terms; and (ii) although the Alteration of Terms is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) at the SGM to approve the Deed of Further Variation and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
VC Capital Limited

Philip Chau
Managing Director

Evelyn Fan
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which he/she was 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Huang Hanshui (Note)	Beneficial owner	86,827,895	0.63%

Note: Mr. Huang Hanshui, an executive Director, has a derivative interest in 86,827,895 shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors the chief executives of the Company or their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (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 he/she was taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors are a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, proposed Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been, since 31 December 2015 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who have given opinions or advices which are contained in this circular:

Name	Qualifications
VC Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

VC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, VC Capital did not have any shareholding, direct or indirect in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, VC Capital did not have any interest, direct or indirect, in any assets which had been, since 31 December 2015 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on business days at the principal place of business in Hong Kong of the Company at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the S&P Agreement;
- (b) the Deed of Variation;
- (c) the Deed of Further Variation; and
- (d) this circular.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



RUIXIN INTERNATIONAL HOLDINGS LIMITED

瑞鑫國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Ruixin International Holdings Limited (the “**Company**”) will be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Monday, 16 January 2017 at 11:00 a.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the deed of further variation dated 14 December 2016 (the “**Deed of Further Variation**”) entered into between the Company and Mr. Li Weimin (the “**Noteholder**”), in relation to the proposed alteration of certain terms and conditions of the outstanding zero coupon convertible notes (as amended by the deed of variation dated 14 November 2014) in the aggregate principal amount of HK\$260,400,000 due on 31 December 2016 (the “**Convertible Notes**”) (details relating to the Deed of Further Variation are set out in the circular of the Company dated 29 December 2016 and a copy of the Deed Of Further Variation has been produced to the SGM and marked “A” and initialled by the chairman of the SGM for the purpose of identification) be and is hereby approved, confirmed and ratified;
- (b) subject to the Stock Exchange consenting to the alteration to the terms and conditions of the Convertible Notes and the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of the Company that may be issued pursuant to the alteration to the terms and conditions of the Convertible Notes (the “**Conversion Shares**” and each a “**Conversion Share**”), the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and otherwise deal with the Conversion Shares which may be allotted and issued by the Company upon the exercise of the conversion right attaching to the outstanding Convertible Notes in the principal amount of HK\$260,400,000 at the conversion price of HK\$0.035 per Conversion Share in accordance with the terms and

NOTICE OF SPECIAL GENERAL MEETING

conditions of the Convertible Notes as varied by the Deed of Further Variation, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 6 June 2016, and to do all such things and acts and execute all such documents in connection with the issue and allotment of the Conversion Shares; and

- (c) any one Director be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of such Director, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Deed of Further Variation and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company.”

By Order of the Board
Ruixin International Holdings Limited
Huang Hanshui
Executive Director

Hong Kong, 29 December 2016

Notes:

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with (if required by the board of directors of the Company) the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Branch Share Registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.