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

**If you have sold or transferred** all your shares in Glory Sun Financial Group Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**寶新金融集團有限公司**  
**GLORY SUN FINANCIAL GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01282)**

**CONNECTED TRANSACTION**  
**SUBSCRIPTION OF SHARES BY A CONNECTED PERSON**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Gram Capital Limited**  
**嘉林資本有限公司**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 3 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 34 of this circular. A notice convening the EGM to be held on Friday, 25 October 2019 at 11:00 a.m. at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No.89 Queensway, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

10 October 2019

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Company”	Glory Sun Financial Group Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange;
“connected person”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company from time to time;
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the board of Directors, comprising Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung, Eddie, all of whom are independent non-executive Directors, which has been formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder;

## DEFINITIONS

“Independent Shareholders”	shareholders of the Company other than Mr. Yao Jianhui and his associates and parties acting in concert with him;
“Latest Practicable Date”	3 October 2019;
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Bao Xin Development Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Yao Jianhui;
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 10 July 2019 entered into between the Company and the Subscriber in relation to the subscription of 4,000,000,000 new Shares;
“Subscription Price”	HK\$0.25 per Share;
“Subscription Shares”	4,000,000,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement; and
“%”	per cent.

LETTER FROM THE BOARD



寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

*Executive Directors:*

Mr. Yao Jianhui

(Chairman and Chief Executive Officer)

Ms. Ye Weiqing (Co-Chairman)

Mr. Lau Wan Po (Vice Chairman)

Mr. Li Minbin

Mr. Huang Wei

*Non-Executive Director:*

Mr. Zhang Chi

*Independent Non-Executive Directors:*

Mr. Wong Chun Bong

Professor Lee Kwok On, Matthew

Mr. Lee Kwan Hung, Eddie

*Registered Office:*

Cricket Square, Hutchins Drive

Box 2681

Grand Cayman, KY1-1111

Cayman Islands

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

Units 1908 to 1909, 19/F, Tower 2

Lippo Centre, No. 89 Queensway

Hong Kong

10 October 2019

*To the Shareholders*

Dear Sir/Madams,

**CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES BY A CONNECTED PERSON**

Reference is made to the announcement of the Company dated 10 July 2019 in respect of the Subscription.

The purpose of this circular is to provide you with, among other things, (i) further details about the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Gram Capital to both the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

## LETTER FROM THE BOARD

### THE SUBSCRIPTION AGREEMENT

Date: 10 July 2019

#### Parties

- (a) the Company
- (b) the Subscriber

The Subscriber is an investment holding company established in the British Virgin Islands. It is wholly-owned by Mr. Yao Jianhui, an executive Director and the controlling shareholder of the Company.

#### Subscription Shares

4,000,000,000 new Shares, representing approximately 14.61% of the existing issued share capital of the Company, and approximately 12.74% of the issued share capital of the Company as enlarged by the Subscription.

#### Subscription Price

The Subscription Price of HK\$0.25 per Subscription Share was arrived at after arm's length negotiations between the Subscriber and the Company with reference to the market price of the Shares.

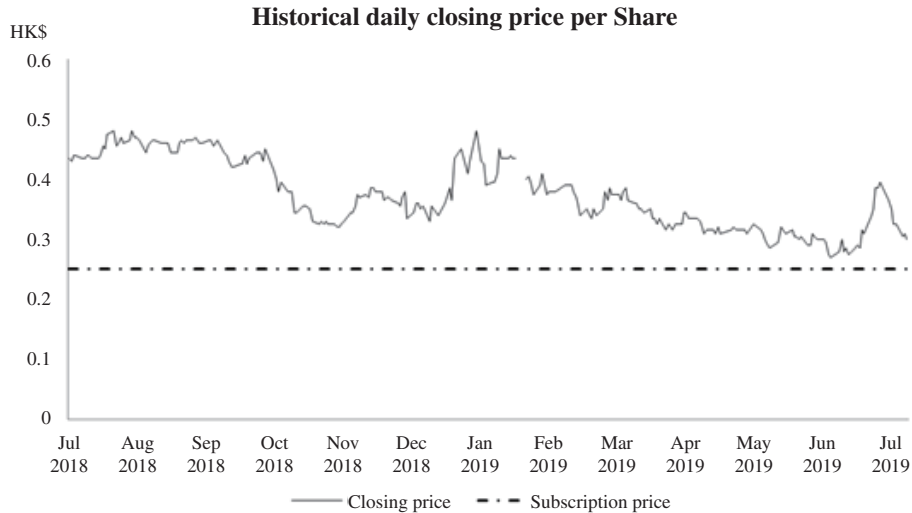
The Subscription Price represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.67% to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the day of the Subscription Agreement;
- (iii) a discount of approximately 19.35% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 9 July 2019, being the last trading day immediately preceding the date of the Subscription Agreement;
- (iv) a discount of approximately 21.88% to the average closing price of HK\$0.32 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 July 2019;
- (v) a discount of approximately 19.35% to the average closing price of HK\$0.31 per Share as quoted on the Stock Exchange for the last five trading days up to and including 10 July 2019;
- (vi) a discount of approximately 28.57% to the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 9 July 2019; and

## LETTER FROM THE BOARD

- (vii) a discount of approximately 26.47% to the average closing price of HK\$0.34 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 10 July 2019.

In determining the Subscription Price, the Directors have considered the movement of the closing prices of the Shares during the period from 3 July 2018 to 10 July 2019, being approximate one year up to and including the date of Subscription Agreement (the “**Review Period**”) to illustrate the general trend and level of movement of the closing prices of the Shares:



*Source: the Stock Exchange's website*

*Note:* Trading in the Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.48 and HK\$0.27 and no clear trend in respect of the closing prices of the Shares was formed during the Review Period.

## LETTER FROM THE BOARD

The Directors have also noted the thin trading volume of the Shares during the Review Period. The table below sets out (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Latest Practicable Date; and (iii) the percentage of the Average Volume as compared to the total number of issued the Shares as at the Latest Practicable Date, during the Review Period:

Month	No. of trading days in each month	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 2) %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 3) %
<b>2018</b>			
July	21	0.04	0.02
August	23	0.02	0.01
September	19	0.02	0.01
October	21	0.10	0.04
November	22	0.08	0.03
December	19	0.20	0.09
<b>2019</b>			
January	20	0.34	0.15
February	17	0.31	0.14
March	21	0.10	0.05
April	19	0.02	0.01
May	21	0.12	0.05
June	19	0.16	0.07
July (up to and including the date of Subscription Agreement)	7	0.05	0.02
<b>Maximum</b>		<b>0.34</b>	<b>0.15</b>
<b>Minimum</b>		<b>0.02</b>	<b>0.01</b>

*Source:* the Stock Exchange's website

*Notes:*

1. Trading in the Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).
2. Based on 12,328,540,611 Shares held by the public as at the Latest Practicable Date.
3. Based on 27,387,512,211 Shares as at the date of the Latest Practicable Date.



## LETTER FROM THE BOARD

During the Review Period, the Average Volume was (i) below 0.5% of the total number of issued Shares held in public hands as at the Latest Practicable Date; and (ii) below 0.2% of the total number of issued Shares as at the Latest Practicable Date.

Given the low liquidity in the Shares and the uncertainties in the market as a result of the continuous trade war between the U.S. and the PRC and the civil unrest in Hong Kong, which saw the Hang Seng Index falling 1,905 points from the high of 30,119.56 on 10 April 2019 to 28,204.69 on 10 July 2019, the date of the Subscription Agreement, and falling a further 2,902 points to the low of 25,302.28 on 14 August 2019, the Directors considered that the relevant discount of 16.67% to the closing price of the Shares on the date of the Subscription Agreement was fair and reasonable under such market conditions.

The Subscription Shares have a nominal value of HK\$400.0 million and a market value of HK\$1,200.0 million, based on the closing price of HK\$0.30 per Share on the date of the Subscription Agreement. After deducting expenses relating to the Subscription, the net price per Subscription Share is approximately HK\$0.25.

### **Conditions of the Subscription Agreement**

The Subscription Agreement is subject to the satisfaction of the following conditions precedent:

- (i) approval of the Subscription Agreement and the specific mandate to issue the Subscription Shares by the Independent Shareholders at the EGM;
- (ii) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares; and
- (iii) the Company having obtained all approvals and consents (if any) in relation to the Subscription and the transaction contemplated thereunder.

In the event that the conditions to the Subscription is not fulfilled on or before 30 November 2019 (as amended, or such later date as may be agreed between the parties), the Subscription Agreement and all rights and obligations thereunder will cease and terminate.

### **Application for Listing**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## LETTER FROM THE BOARD

### Completion

Subject to fulfillment of the conditions of the Subscription Agreement, completion of the Subscription will be in three tranches as follows:

- (i) the first tranche of 1,200,000,000 Subscription Shares will be allotted and issued to the Subscriber within 45 days from the date that the conditions to the Subscription Agreement are satisfied;
- (ii) the second tranche of 1,200,000,000 Subscription Shares will be allotted and issued to the Subscriber within 90 days from the date that the conditions to the Subscription Agreement are satisfied; and
- (iii) the final tranche of 1,600,000,000 Subscription Shares will be allotted and issued to the Subscriber within 150 days from the date that the conditions to the Subscription Agreement are satisfied.

The Subscriber will pay the Subscription Price corresponding to each tranche of Subscription Shares allotted and issued at each completion in cash. Completion of the Subscription will take place in stages in accordance with the funding needs of the Company. Please refer to the paragraph headed “Use of Proceeds” below for the schedule of the expected funding needs of the Group.

### Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

Assuming there is no change to the issued share capital of the Company and the interests of the substantial shareholders of the Company between the date of the Subscription Agreement and Completion, the effect on the shareholding structure of the Company will be as follows:

Shareholder	Shareholding as at the Latest Practicable Date		Shareholding after completion of the Subscription	
	Shares	% of Shareholding	Shares	% of shareholding
Mr. Yao Jianhui and his associates <sup>(1)</sup>	11,062,227,600	40.39%	15,062,227,600	47.99%
Foresea Life Insurance Co., Ltd. <sup>(2)</sup>	<u>4,219,560,000</u>	<u>15.41%</u>	<u>4,219,560,000</u>	<u>13.44%</u>
Sub-total	15,281,787,600	55.80%	19,281,787,600	61.43%
Other public shareholders	<u>12,105,724,611</u>	<u>44.20%</u>	<u>12,105,724,611</u>	<u>38.57%</u>
Total	<u><u>27,387,512,211</u></u>	<u><u>100.00%</u></u>	<u><u>31,387,512,211</u></u>	<u><u>100.00%</u></u>

## LETTER FROM THE BOARD

### *Notes:*

1. The Shares are held as to 44,468,000 Shares by Mr. Yao Jianhui personally, as to 10,794,943,600 Shares by Tinmark Development Limited, a company wholly-owned by Mr. Yao and as to 222,816,000 shares by Qianhai Sports Group Limited, a subsidiary of the Company.
2. Mr. Yao Zhenhua, the brother of Mr. Yao Jianhui is beneficially interested in 51% of the equity of Foresea Life Insurance Co., Ltd. (“Foresea Life”). Foresea Life is deemed to be a concert party of Mr. Yao Jianhui.

### **CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTHS**

The Company has not carried out any equity capital raising activities in the 12 months immediately preceding the Latest Practicable Date.

### **REASONS FOR THE SUBSCRIPTION**

The Company is a diversified business group and is principally engaged in the business of financial services, manufacturing, securities trading and investment, property investment and development and automation.

The Subscription represents a valuable opportunity for the Company to raise fund to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the financial market. The Subscription would avail the Group with more resources to stay competitive against its competitors, scale up the financial services business and execute its growth strategies.

The Company has considered other financing alternatives prior to electing the Subscription. The Company has considered debt and bank financing, which will increase the Group’s debt level and incur additional interest expenses for the Group. The additional interest expenses will erode the profit margin of the Group and the covenants associated with such debt or bank financing will likely restrict the Company’s business exploits and laden the Company with administrative and compliance burdens and are therefore not considered to be an optimal financing alternative for the Company. The Company has also contacted two financial institutions for potential placing agent engagement for share placement and/or underwriter engagement for rights issue/open offer of comparable fund raising size to the Subscription but owing to the thin trading volume in the Shares, none of them shown interest. Under such circumstances, the Company consider the Subscription is an appropriate and reasonable mean for the Company to raise fund.

The Directors consider that the Subscription could enhance the capital base of the Company and enable the Company to maintain a sufficient cash position for the Group’s operation and is an appropriate mean to raise fund. The Directors consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### USE OF PROCEEDS

The net proceeds from the Subscription is expected to be approximately HK\$999.4 million and is expected to be applied by the Company as to approximately 70% for the development of its financial services business, and as to approximately 30% for general working capital of the Company.

For the portion of the proceeds from the Subscription (i.e. approximately 70%) allocated for the development of the financial services business of the Group, such proceeds are expected to be applied in the following manners:

<b>Business area</b>	<b>Amount</b> <i>HK\$</i>	<b>Description of fund usage</b>
Brokerage service and corporate finance		
— corporate finance division	100,000,000	for the expansion of the advisory team and the range of corporate finance services relating to Type 6 regulated activity under the SFO
— securities brokerage & margin financing	130,000,000	for repayment of bank loan(s) and borrowings, conducting margin financing business and engaging in active promotions of securities brokerage and margin financing business to enhance an overall uplift of the Group's image in the Hong Kong financial market
— investment	40,000,000	for the expansion of proprietary trading business by investing in financial products (including securities, bonds and funds)
	Sub-total: 270,000,000	
Asset management	180,000,000	for the expansion of asset management business by setting up funds focusing on (i) private equity projects and (ii) high yield bonds
Money lending	250,000,000	for the expansion of money lending business
	Total: 700,000,000	

## LETTER FROM THE BOARD

The schedule of the expected funding needs of the Group is set out below:

<b>Expected date</b>	<b>Description of fund usage</b>	<b>Funds required HK\$</b>
Before 31 October 2019	<p>Glory Sun Asset Management Limited (“<b>GSAM</b>”), an indirect subsidiary of the Company, is negotiating with a foreign bank to set up a fund for the purpose of investing in a private equity project. The investment objectives are to increase the assets under the management by GSAM and add value to clients assets. The subject of the underlying investment is high yield notes issued by private companies.</p>	100,000,000
	<p>Glory Sun Credit Limited (“<b>GSCL</b>”), an indirect wholly-owned subsidiary of the Company, has plans to increase its loan portfolio and offer a wider range of financing solutions to clients.</p>	200,000,000
	<p>As at 31 July 2019, the loan portfolio of GSCL comprised seventeen loans with an aggregated outstanding loan amount of approximately HK\$597.8 million. Such loans included seven loans (five to corporates and two to individuals) secured by property mortgages with an aggregated outstanding loan amount of approximately HK\$55.4 million, five corporate loans secured by pledged shares with an aggregated outstanding amount of approximately HK\$531 million, and five unsecured loans (four to individuals and one intra-Group loan) with an aggregated outstanding amount of approximately HK\$11.4 million. Such loans have maturity from October 2019 to July 2044.</p>	
	<p>GSCL intends to further expand its loan customers base and increases its loan portfolio, focusing primarily on mortgage and corporate loans, to approximately HK\$800.0 million by the end of 2019.</p>	

<b>LETTER FROM THE BOARD</b>
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<b>Expected date</b>	<b>Description of fund usage</b>	<b>Funds required HK\$</b>
Before 31 December 2019	<p>Glory Sun Securities Limited (“GSSL”), an indirectly subsidiary of the Company, intends to repay bank borrowings and use the new funds for expanding its business scale of margin financing and Type 6 regulated activity under the SFO.</p> <p>The amount of margin financing covered by GSSL as at 31 July 2019 was approximately HK\$330.1 million. As at 30 June 2019, GSSL has three outstanding loans with financial institutions with an aggregate outstanding principal amount of approximately HK\$123.1 million with interest rates between 3.74% and 4.16%.</p> <p>GSSL will use the new funds to explore investment opportunities in financial products, including listed securities, funds and bonds.</p>	270,000,000
Before 29 February 2020	<p>GSAM will continue to explore investment opportunities for its funds. It is in discussions with international banks for possible subscriptions of bonds with a rating of B or higher for up to HK\$400.0 million.</p> <p>GSCL will further expand its scale of business.</p>	80,000,000
		<hr style="width: 100%;"/> 50,000,000
		<hr style="width: 100%;"/> 700,000,000

## LETTER FROM THE BOARD

### **Business plan of GSSL**

Due to the uncertainties in the Hong Kong stock market caused by the continuous trade war between the U.S. and the PRC, the civil unrest in Hong Kong and increased market volatility, investor confidence in Hong Kong has plummeted to a low level, leading to a decrease in the commission revenue generated by GSSL. In order to maintain a stable source of revenue, GSSL has planned to shift more of its focus to corporate finance business and expanded its service scope to cover the provision of services to non-professional investors, advising clients on matters/transactions falling within the ambit of the Takeovers Code and acting as a sponsor in initial public offerings, following the grant of a full Type 6 regulated activity licence by the Securities and Future Commission in May 2019. As at the Latest Practicable Date, GSSL was involved as an underwriter in three initial public offerings and as an underwriter in three bond offerings of listed issuers.

During the first half of 2019, GSSL engaged TradeGo FinTech Limited, an integrated securities trading platform service provider, to develop a new application for securities trading for GSSL. It is expected that such application will be launched in the fourth quarter of 2019. The Company believes that the new application will provide a better interface for GSSL to meet the growing needs of the existing clients. In addition, the new application will be able to offer online account opening and an array of services. It is expected that with such enhanced services, GSSL would be able to provide better services and in turn attract a larger client base.

### **Business plan of GSCL**

As at 31 July 2019, out of the loan portfolio of HK\$597.8 million of GSCL, HK\$531.0 million of which, or approximately 88.8%, were secured by share pledges. Owing to the recent turmoil and the continuous uncertainties in the securities market as a result of the trade war and the disturbances in Hong Kong, GSCL intends to increase its loan portfolio for loans secured by property mortgage in order to reduce its exposure to the uncertainties presented in the securities market.

The Group has a cash balance of approximately HK\$2,963.4 million as at 30 June 2019 (as compared to approximately HK\$907.1 million as at 31 December 2018). Such amount included the cash balance in the amount of approximately HK\$1,708.1 million held by Glory Sun Land Group Limited, a subsidiary of the Group listed on the Main Board of the Stock Exchange (Stock Code: 00299), clients' assets and clients' deposits of approximately HK\$617.6 million. Deducting the cash held by the separately listed subsidiary Glory Sun Land Group Limited, clients' assets and clients' deposits, the usable cash balance held by the Group as at 30 June 2019 was approximately HK\$637.6 million. The Company (i) reserves such cash balance for (a) repayment of loans and other payable and (b) funding of daily operation of the Group (in addition to the development of the Group's financial services business as mentioned above); and (ii) intends to apply the remaining balance of the proceeds from the Subscription of approximately HK\$299.4 million for funding the daily operation of the Group (in addition to the development of the Group's financial services business as mentioned above). As such, the Subscription will provide the necessary funds to finance the development of the financial services sector of the Company.

<b>LETTER FROM THE BOARD</b>
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Set out below are details of the expected funding needs for the Group's daily operations for the next 12 months:

	To be applied in Hong Kong (HK\$)	To be applied in the PRC
<b>Repayment of loans and other payables</b>		
Repayment of corporate bonds issued by the Company and interests	173,525,000	
Repayment of bank loans and borrowings (exclusive of the bank loan(s) and borrowings obtained for the operation of its securities brokerage & margin financing business)	45,000,000	91,000,000
Remaining consideration for the acquisition taken place on 10 January 2019, details of which are set out in the Company's announcements dated 10 January 2019 and 15 January 2019	44,320,000	
Repayment of other payables	2,000,000	
Sub-total (A):	264,845,000	91,000,000
<b>Daily operation</b>		
Daily operation of the Group in Hong Kong	40,000,000	
Daily operation of financial services segment ( <i>Notes 1 &amp; 2</i> )	80,000,000	
Daily operation of automation segment	80,000,000	
Daily operation of property investment and development in the PRC (including repayment of construction payable)		286,400,000
Daily operation of manufacturing segment		20,000,000
Sub-total (B):	200,000,000	306,400,000
Sub-total (A+B):	464,845,000	397,400,000
Total:		862,245,000



## LETTER FROM THE BOARD

*Note 1:* The table below summarizes the expected funding needs for the daily operation of the financial services segment in the upcoming 12 months:

<b>Annual administration and finance expenses</b>	<b>HK\$</b>
Office rental	5,280,000.00
Utility bills (e.g. management fee, electricity and telephone and fax)	1,560,000.00
Commission	14,400,000.00
Staff costs (e.g. salaries expenses, other employee benefits and retirement scheme contribution)	25,800,000.00
Communication expenses/platform fee (e.g. ETNET, Bloomberg and Ayers etc.)	3,600,000.00
Advertising and marketing research expenses	2,160,000.00
Recruitment expenses	480,000.00
Legal and professional expenses	1,140,000.00
Insurance and office supplies	960,000.00
Entertainment and other expenses	2,400,000.00
Finance costs	<u>5,400,000.00</u>
Total:	<u><u>63,180,000.00</u></u>

*Note 2:* In addition to the annual administration and finance expenses of approximately HK\$63.2 million, GSSL is accustomed to reserve a sum of HK\$50,000,000 for (i) continuous net settlement (CNS), (ii) margin requirement and daily end marks, (iii) mainland settlement deposit (MSTD), and (iv) mainland security deposit (MSCD). As such, the minimum total annual fund required by the financial services segment to maintain its operation is approximately HK\$113.2 million. For the amount exceeding the sum of HK\$80 million allocated to the daily operations of the financial services segment (i.e. approximately HK\$33.2 million), it will be funded by the ongoing revenue generated by the financial services segment during its usual and ordinary course of business.

### LISTING RULES IMPLICATION

The Subscriber is a company wholly-owned by Mr. Yao Jianhui, an executive Director and the controlling shareholder of the Company. As such, the Subscription constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at the EGM to be convened to approve the Subscription.

Mr. Yao Jianhui is interested in the Subscription and has abstained from voting at the Board meeting held to approve the Subscription.

### GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders on the terms of the Subscription. Gram Capital has been appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### THE EGM

The EGM will be held at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong on Friday, 25 October 2019 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Yao and his associates and parties acting in concert with him hold together, directly or indirectly, 15,281,787,600 Shares, representing approximately 55.80% of the entire issued share capital of the Company. Mr. Yao and his associates and parties acting in concert with him will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder. Save for Mr. Yao and his associates and parties acting in concert with him, no other Shareholder has any material interest in the Subscription Agreement and the transactions contemplated thereunder and would be required to abstain from voting for the resolution to be proposed at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

### RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 18 of this circular and the letter from Gram Capital set out on pages 19 to 34 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of Gram Capital, is of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board  
**Glory Sun Financial Group Limited**  
**Yao Jianhui**  
*Chairman and Chief Executive Officer*



**寶新金融集團有限公司**

**GLORY SUN FINANCIAL GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01282)**

10 October 2019

*To the Independent Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES BY A CONNECTED PERSON**

We refer to the circular of the Company dated 10 October 2019 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into of the Subscription is in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise us and you in this respect.

We have considered the various details of the Subscription, in particular, the reasons for the Subscription and the effect thereof. We have also reviewed the advice given by Gram Capital on the terms of the Subscription Agreement and the transactions contemplated thereunder as set out in their letter reproduced on pages 19 to 34 of the Circular.

Having considered the information set out in the letter from the Board and taking into account the advice from Gram Capital, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Mr. Wong Chun Bong**

**Professor Lee Kwok On, Matthew**

**Mr. Lee Kwan Hung, Eddie**

*Independent Board Committee*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram 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 this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

10 October 2019

*To: The independent board committee and the independent shareholders  
of Glory Sun Financial Group Limited*

Dear Sir/Madam,

### **CONNECTED TRANSACTION SUBSCRIPTION OF SHARES BY A CONNECTED PERSON**

#### **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 “**Board Letter**”) contained in the circular dated 10 October 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 July 2019, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe 4,000,000,000 new Shares at the Subscription Price of HK\$0.25 per Share. The Subscription Shares represent approximately 14.61% of the existing issued share capital of the Company and approximately 12.74% of the issued share capital of the Company as enlarged by the Subscription.

With reference to the Board Letter, the Subscription constitutes a connected transaction of the Company and is subject to the approval by the Independent Shareholders at the EGM to be convened to approve the Subscription.

The Independent Board Committee comprising Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung, Eddie (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is conducted in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should

## LETTER FROM GRAM CAPITAL

vote in respect of the resolution to approve the Subscription at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

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

The 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

## LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background of and reasons for the Subscription

##### *Information on the Group*

With reference to the Board Letter, the Company is a diversified business group and is principally engaged in the business of financial services, manufacturing, securities trading and investment, property investment and development and automation.

Set out below is a summary of the consolidated financial information on the Group for each of the two years ended 31 December 2018 and the six months ended 30 June 2019 (with comparative figures of 2018) as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report"):

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2017</b>	<b>Year on year change</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited)	
Revenue	1,582,581	2,825,287	(43.99)
— <i>Automation</i>	567,061	612,999	(7.49)
— <i>Financial Services</i>	178,773	145,755	22.65
— <i>Manufacturing</i>	99,351	122,946	(19.19)
— <i>Property Investment and Development</i>	706,625	1,412,734	(49.98)
— <i>Securities Investment</i>	30,771	530,853	(94.20)
Gross profit	519,364	871,276	(40.39)
Profit for the year	675,596	893,891	(24.42)

## LETTER FROM GRAM CAPITAL

	<b>For the six months ended 30 June 2019 HK\$'000 (unaudited)</b>	<b>For the six months ended 30 June 2018 HK\$'000 (unaudited)</b>	<b>Year on year change %</b>
Revenue ( <i>Note</i> )	2,012,607	914,021	120.19
— <i>Automation</i>	336,600	266,900	26.11
— <i>Financial Services</i>	97,800	93,600	4.49
— <i>Manufacturing</i>	13,700	39,500	(65.32)
— <i>Property Investment and Development</i>	666,000	354,900	87.66
— <i>Securities Investment</i>	(178,000)	159,100	(211.88)
— <i>Trading of Commodities</i>	1,057,700	Nil	—
— <i>Others</i>	18,800	Nil	—
Gross profit	54,366	322,387	(83.14)
Profit for the period	458,174	263,470	73.90

*Note:* The revenue breakdown does not add up to the exact total amount due to rounding.

As depicted from the above table, the Group recorded substantial decrease in revenue, gross profit and profit for the year ended 31 December 2018 (“**FY2018**”) as compared to those for the year ended 31 December 2017 (“**FY2017**”).

With reference to the Company’s annual report for FY2017, the Group adopted property investment and development as one of the principal businesses in FY2017, aiming at better leveraging its resources to diversify income sources and improve its financial position. The Group’s property investment and development segment became its largest revenue contributor in FY2017.

During FY2018, except for the financial services segment, all other four segments of the Group recorded decrease in segment revenue. The financial services segment became the Group’s third largest revenue contributor for FY2018, which generated approximately 11.30% of the Group’s revenue for FY2018 (FY2017: approximately 5.16%). With reference to the 2018 Annual Report, the Group’s financial services segment includes regulated business activities in respect to financial services under the SFO in Hong Kong. Glory Sun Securities Limited, a subsidiary of the Company, holds licences to conduct Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO.

Based on the 2019 Interim Report, the financial services segment generated the second highest operating profit for the six months ended 30 June 2019 (“**HY2019**”) among the Group’s segments with continuing operation.



## LETTER FROM GRAM CAPITAL

With reference to the 2018 Annual Report, the Group actively conducted strategic transformation in recent years, of which vigorous development of finance business is an important component. After years of development, the financial industry layout has been smoothly promoted, and the current financial business has become comparably large. The Group will continue to increase resources in the financial business in the future.

With reference to the 2018 Annual Report, the Group will be committed to improve the efficiency and capacity of its online trading system and mobile application for securities and futures trading in order for the clients to connect to the global market and enjoy comprehensive and professional brokerage services. Further, the Group will allocate more resources to improve its online trading platform and increase its marketing scale to promote its brand image. As further mentioned in the 2018 Annual Report, the Group will (i) extend its corporate finance business; and (ii) further strengthen its investment and research strength, closely monitor the market development trend and opportunities, launch new products and new services, continuously improve production line and service line, and continue to promote the asset management capacity and asset allocation capacity.

### *Information on the Subscriber*

With reference to the Board Letter, the Subscriber is an investment holding company established in the British Virgin Islands. It is wholly-owned by Mr. Yao Jianhui, an executive Director and the controlling shareholder of the Company.

### *Reasons for and benefits of the Subscription and use of proceeds*

With reference to the Board Letter, the Subscription represents a valuable opportunity for the Company to raise fund to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the financial market. The Subscription would avail the Group with more resources to stay competitive against its competitors, scale up the financial services business and execute its growth strategies.

Upon our enquiry, the Directors advised us that the Company considered a number of financing methods such as debt financing and other ways of equity financing (including open offer, rights issue and share placement to independent institutional and individual investors):

- (a) Debt and bank financing will increase the Group's debt level and incur additional interest burden to the Group. With reference to the 2018 Annual Report, (i) the Group's gross gearing ratio (calculated as borrowings divided by net asset value) was approximately 24.2% as at 31 December 2018 (31 December 2017: 8.1%), representing an increase of approximately 16.1 percentage points as compared to that as at 31 December 2017; (ii) the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.4 as at 31 December 2018 (31 December 2017: 2.4), representing a significant decrease of approximately 41.67% as compared to that as at 31 December 2017; and (iii) the Group's total borrowings increased

## LETTER FROM GRAM CAPITAL

by approximately 169.44% from approximately HK\$625.87 million as at 31 December 2017 to HK\$1,686.35 million as at 31 December 2018. As such, the Company considered that debt and bank financing is not an optimal financing method.

- (b) The Company recently contacted two financial institutions for potential placing agent engagement for share placement and underwriter engagement for rights issue/open offer (with fund raising size comparable to the proceeds from the Subscription) but none of them showed interest in such engagements.

In light of the above, the Company considered that the Subscription is an appropriate mean of fund raising.

With reference to the Board Letter, the net proceeds from the Subscription is expected to be approximately HK\$999.4 million (the “**Net Proceeds**”) and is expected to be applied by the Company as to approximately 70% for the development of its financial services business, and as to approximately 30% for general working capital of the Company.

For the portion of the Net Proceeds allocated for the development of the Group’s financial services business, it is expected to be applied in various business areas including:

- (i) Corporate finance division — for the expansion of the advisory team and the range of corporate finance services relating to Type 6 regulated activity under the SFO
- (ii) Securities brokerage & margin financing — for repayment of bank loan(s) and borrowings, conducting margin financing business and engaging in active promotions of securities brokerage and margin financing business to enhance an overall uplift of the Group’s image in the Hong Kong financial market
- (iii) Investment — for the expansion of proprietary trading business by investing in financial products (including securities, bonds and funds)
- (iv) Asset management — for the expansion of asset management business by setting up funds focusing on (a) private equity projects; and (b) high yield bonds
- (v) Money lending — for the expansion of money lending business

With reference to the Board Letter, in order to maintain a stable source of revenue, GSSL has planned to shift more of its focus to corporate finance business and expanded its service scope to cover the provision of services to non-professional investors, advising clients on matters/transactions falling within the ambit of the Takeovers Code and acting as a sponsor in initial public offerings, following the grant of a full Type 6 regulated activity licensed by the Securities and Future Commission in May 2019. During the HY2019, GSSL engaged TradeGo FinTech Limited, an integrated securities trading

## LETTER FROM GRAM CAPITAL

platform service provider, to develop a new application for securities trading for GSSL. It is expected that such application will be launched in the fourth quarter of 2019. In addition, owing to the recent turmoil and the continuous uncertainties in the securities market as a result of the trade war and the disturbances in Hong Kong, GSCL intends to increase its loan portfolio for loans secured by property mortgage in order to reduce its exposure to the uncertainties presented in the securities market.

Details of the above and the schedule of the Group's expected funding needs (the "**Funding Needs Schedule**") are set out under the section headed "USE OF PROCEEDS" of the Board Letter.

As mentioned in the section headed "Information on the Group" above, the financial services segment became the Group's third largest revenue contributor for FY2018, which generated approximately 11.30% of the Group's revenue for FY2018 (FY2017: approximately 5.16%). The Group will continue to devote resources to this segment in the future.

Despite the recent turmoil and the continuous uncertainties in the securities market as a result of the trade war and the disturbances in Hong Kong as stated in the Board Letter, it is reasonable to develop the Group's financial services segment which is an important segment of the Group as demonstrated above. Accordingly, approximately 70% of the Net Proceeds can facilitate the Group's business development according to its business strategy.

We discussed with the Company for better understanding on the business plan, the breakdown of the portion of the Net Proceeds allocated for the development of the Group's financial services business and the Funding Needs Schedule as set out in the Board Letter. We also obtained certain supporting documents for the Group's business plan on its financial services business, including copies of (i) draft transaction documents regarding underwriter engagement in bonds offering; (ii) introduction materials of potential funds to be invested by GSAM; and (iii) project materials of the new application for securities trading for GSSL. Having considered the above, we are of the view that the portion of the Net Proceeds to be applied for the development of its financial services business is justifiable.

We noticed from the Board Letter that the Group's cash balance was approximately HK\$2,345.8 million as at 30 June 2019. Such amount included the cash balance in the amount of approximately HK\$1,708.2 million held by Glory Sun Land Group Limited, a subsidiary of the Group listed on the Main Board of the Stock Exchange (Stock code: 299). Deducting the cash held by the separately listed subsidiary — Glory Sun Land Group Limited, the Group's usable cash balance as at 30 June 2019 would be approximately HK\$637.6 million. The Company (i) reserves such cash balance for repayment of loans and other payable and funding the Group's daily operation; and (ii) intends to apply the remaining balance (approximately 30% — HK\$299.4 million) of the Net Proceeds for funding the Group's daily operation.

## LETTER FROM GRAM CAPITAL

We also noticed from the Board Letter that the expected funding needs for the Group's daily operations for the next twelve months include (i) repayment of loans and other payables amounting to approximately HK\$355.8 million; and (ii) funding the Group's daily operation amounting to approximately HK\$506.4 million. We discussed with the Company for better understanding on the funding of Group's daily operation as set out in the Board Letter and obtained the repayment schedules of the aforesaid repayment of loans and other payables.

Having considered the above and that the Group recorded net cash used in operating activities of approximately HK\$203 million and net cash used in investing activities of approximately HK\$2,900 million for FY2018 (according to the 2018 Annual Report), we are of the view that the portion of the Net Proceeds to be applied for general working capital purpose (funding the Group's daily operation) is justifiable.

Having considered:

- (i) the Subscription is an appropriate mean of fund raising;
- (ii) approximately 70% of the Net Proceeds from the Subscription can facilitate the Group's business development according to its business strategy and the portion of the Net Proceeds to be applied for the development of its financial services business is justifiable; and
- (iii) the portion of the Net Proceeds to be applied for general working capital purpose (funding the Group's daily operation) is justifiable,

we are of the view that, although the Subscription is not conducted in the ordinary and usual course of business of the Company, the Subscription is in the interest of the Company and the Shareholders as a whole.

## **2. Principal terms of the Subscription Agreement**

On 10 July 2019, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe 4,000,000,000 new Shares at the Subscription Price of HK\$0.25 per Share. The Subscription Shares represent approximately 14.61% of the existing issued share capital of the Company and approximately 12.74% of the issued share capital of the Company as enlarged by the Subscription.

### ***Subscription Price***

With reference to the Board Letter, the Subscription Price of HK\$0.25 per Subscription Share was arrived at after arm's length negotiations between the Subscriber and the Company with reference to the market price of the Shares.

## LETTER FROM GRAM CAPITAL

The Subscription Price represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.67% to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the date of Subscription Agreement;
- (iii) a discount of approximately 19.35% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 9 July 2019, being the last trading day immediately preceding the date of Subscription Agreement;
- (iv) a discount of approximately 21.88% to the average closing price of HK\$0.32 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 July 2019;
- (v) a discount of approximately 19.35% to the average closing price of HK\$0.31 per Share as quoted on the Stock Exchange for the last five trading days up to and including 10 July 2019;
- (vi) a discount of approximately 28.57% to the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 9 July 2019; and
- (vii) a discount of approximately 26.47% to the average closing price of HK\$0.34 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 10 July 2019.

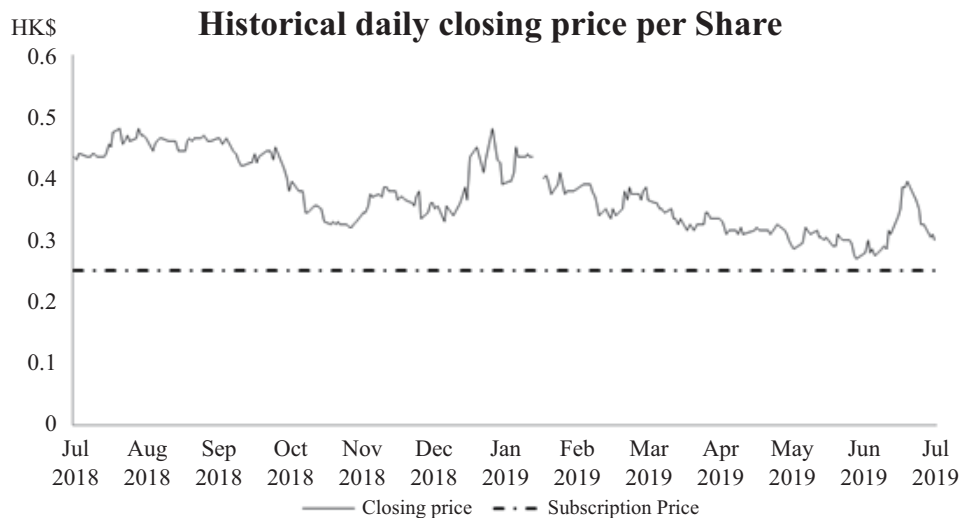
## LETTER FROM GRAM CAPITAL

### *Analysis on the Subscription Price*

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

a) Share price performance

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 3 July 2018 to 10 July 2019, being approximate one year up to and including the date of Subscription Agreement (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares:



*Source: the Stock Exchange's website*

*Note:* Trading in the Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.48 per Share recorded on 23 July 2018, 31 July 2018 and 31 December 2018, and HK\$0.27 recorded on 6 June 2019 respectively. The closing prices of the Shares fluctuated within the range from HK\$0.27 to HK\$0.48 and did not form a clear trend during the Review Period.

The Subscription Price of HK\$0.25 is below the range of closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

<b>LETTER FROM GRAM CAPITAL</b>
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b) Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Latest Practicable Date; and (iii) the percentage of the Average Volume as compared to the total number of issued Shares as at the Latest Practicable Date, during the Review Period:

<b>Month</b>	<b>No. of trading days in each month</b>	<b>% of the Average Volume to total number of issued Shares held by the public as at the date of the Latest Practicable Date (Note 2) %</b>	<b>% of the Average Volume to total number of issued Shares as at the date of the Latest Practicable Date (Note 3) %</b>
<b>2018</b>			
July	21	0.04	0.02
August	23	0.02	0.01
September	19	0.02	0.01
October	21	0.10	0.04
November	22	0.08	0.03
December	19	0.20	0.09
<b>2019</b>			
January	20	0.34	0.15
February	17	0.31	0.14
March	21	0.10	0.05
April	19	0.02	0.01
May	21	0.12	0.05
June	19	0.16	0.07
July (up to and including the date of Subscription Agreement)	7	0.05	0.02
<b>Maximum</b>		<b>0.34</b>	<b>0.15</b>
<b>Minimum</b>		<b>0.02</b>	<b>0.01</b>

*Source: the Stock Exchange's website*

## LETTER FROM GRAM CAPITAL

*Notes:*

1. Trading in the Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).
2. Based on 12,105,724,611 Shares held by the public as at the Latest Practicable Date as disclosed under the Board Letter.
3. Based on 27,387,512,211 Shares as at the Latest Practicable Date as disclosed under the Board Letter.

We noted from the above table that the average daily trading volume of the Shares was thin during the Review Period. During the Review Period, the Average Volume was (i) below 0.5% of the total number of issued Shares held in public hands as at the Latest Practicable Date; and (ii) below 0.2% of the total number of issued Shares as at the Latest Practicable Date.

As mentioned in the section headed “Reasons for and benefits of the Subscription and use of proceeds” above, none of the two financial institutions approached by the Company showed interest in the engagements for potential share placement, rights issue or open offer. As advised by the Directors, the thin trading volume of the Shares was one of the concerns of those financial institutions. Therefore, we concur with the Directors that it is reasonable to offer discount to the Subscriber for the Subscription so as to promote the attractiveness of the Subscription Price.

c) Comparables

As part of our analysis, we also identified subscription of new shares under specific mandate for cash (the “**Subscription Comparables**”) which were announced by listed companies in Hong Kong from 1 January 2019 up to 10 July 2019, being an approximate six months period up to and including the date of Subscription Agreement. To the best of our knowledge and as far as we are aware of, we found 18 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Subscription Comparables.



## LETTER FROM GRAM CAPITAL

Company name (stock code)	Date of announcement	Premium/(discount) of the issue price over/(to) closing price per share on/prior to the date of agreement in relation to the respective subscription of shares %	Premium/(discount) of the issue price over/(to) average closing price per share for the last five trading days up to and including/prior to the date of agreement in relation to the respective subscription of shares %	Fund raising size <i>Approximate HK\$' million</i>
Shunfeng International Clean Energy Limited (1165)	9 January 2019	(58.85) <i>(Note)</i>	(55.79) <i>(Note)</i>	1,625
TUS International Limited (872)	11 January 2019	(14.31)	(10.00)	381
Beijing Enterprises Water Group Limited (371)	18 January 2019	Nil	1.27	2,567
Panda Green Energy Group Limited (686)	20 January 2019	(23.08)	(22.28)	1,962
Sun International Group Limited (8029)	14 February 2019	8.77	6.90	269
IBO Technology Company Limited (2708)	17 February 2019	(6.25)	(5.90)	150
Yuexiu Property Company Limited (123)	27 February 2019	21.95	22.70	6,162
NagaCorp Ltd. (3918)	14 April 2019	28.89	25.23	13,709
Chong Kin Group Holdings Limited (1609)	15 April 2019	(7.89)	(10.03)	210
Pearl Oriental Oil Limited (632)	16 April 2019	(83.61) <i>(Note)</i>	(83.05) <i>(Note)</i>	180
ZH International Holdings Limited (185)	2 May 2019	11.76	7.34	1,565
CSMall Group Limited (1815)	6 May 2019	76.47	65.56	150
Alibaba Health Information Technology Limited (241)	23 May 2019	(2.34)	(4.21)	2,272
Common Splendor International Health Industry Group Limited (286)	28 May 2019	(20.00)	(20.32)	200
China Singyes Solar Technologies Holdings Limited (750)	5 June 2019	(7.07)	(6.50)	1,552
Royale Furniture Holdings Limited (1198)	5 June 2019	6.25	5.15	442
FDG Electric Vehicles Limited (729)	30 June 2019	(10.00)	(10.60)	110
Value Convergence Holdings Limited (821)	1 July 2019	(18.18)	(16.67)	99
<b>Maximum</b>		76.47	65.56	
<b>Minimum</b>		(83.61)	(83.05)	
<b>Average</b>		(5.42)	(6.18)	
<b>Median</b>		(6.66)	(6.20)	
<b>Maximum (excluding outliers)</b>		28.89	25.23	
<b>Minimum (excluding outliers)</b>		(23.08)	(22.28)	
<b>Average (excluding outliers)</b>		(2.10)	(2.53)	
<b>Median (excluding outliers)</b>		(6.25)	(5.90)	
<b>The Subscription</b>		<b>(16.67)</b>	<b>(19.35)</b>	

## LETTER FROM GRAM CAPITAL

*Note:* Based on the closing price(s) per share of the company on the last/last five trading day(s) prior to the date of agreement(s) in relation to the transaction.

We noted from the above table that the subscription prices of the Subscription Comparables (excluding Shunfeng International Clean Energy Limited (stock code: 1165), Pearl Oriental Oil Limited (stock code: 632) and CS Mall Group Limited (stock code: 1815) which are considered to be outliers as each of them had an issue price representing exceptional high premium over/deep discount to its closing price per share on/prior to the date of agreement that may produce an anomalous result to our analysis) ranged from (i) a discount of approximately 23.08% to a premium of approximately 28.89% to/over the respective closing prices of their shares on/prior to the date of agreement in relation to the respective subscription of new shares under specific mandate; and (ii) a discount of approximately 22.28% to a premium of approximately 25.23% to/over the respective average closing prices of their shares for the last five trading days up to and including/prior to the date of agreement in relation to the respective subscription of new shares under specific mandate (collectively, the “**Discount/Premium Market Ranges**”). Accordingly, the discount of the Subscription Price to the closing price of the Shares on the date of Subscription Agreement and the discount of the Subscription Price to the average closing price of the Shares for the last five trading days up to and including the date of Subscription Agreement fall within the Discount/Premium Market Ranges.

Although the fund raising sizes of the Subscription Comparables vary from one another, we consider that the fund raising sizes of the Subscription Comparables may not have strong and direct correlation with the Discount/Premium Market Ranges. Accordingly, the fund raising sizes of the Subscription Comparables do not affect our analysis.

Despite that the discount of the Subscription Price to the closing price of the Shares on the date of Subscription Agreement and the discount of the Subscription Price to the average closing price of the Shares for the last five trading days up to and including the date of Subscription Agreement are (i) deeper than the average/median of the Discount/Premium Market Ranges; and (ii) closer to the low end of the Discount/Premium Market Ranges, having considered that:

- (i) the Subscription represents a valuable opportunity for the Company to raise fund to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the financial market;
- (ii) the Subscription would avail the Group with more resources to stay competitive against its competitors, scale up the financial services business and execute its growth strategies;
- (iii) given the low liquidity of the Shares during the Review Period, it is reasonable to offer discount to the Subscriber for the Subscription so as to promote the attractiveness of the Subscription Price; and

## LETTER FROM GRAM CAPITAL

- (iv) the discount of the Subscription Price to the closing price of the Shares on the date of Subscription Agreement and the discount of the Subscription Price to the average closing price of the Shares for the last five trading days up to and including the date of Subscription Agreement fall within the Discount/Premium Market Ranges,

we consider the Subscription Price to be fair and reasonable.

### *Mandate to issue the Subscription Shares*

With reference to the Board Letter, the Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### *Completion*

With reference to the Board Letter, subject to fulfillment of the conditions of the Subscription Agreement, completion of the Subscription will be in three tranches as follows:

- (i) the first tranche of 1,200,000,000 Subscription Shares will be allotted and issued to the Subscriber within 45 days from the date that the conditions to the Subscription Agreement are satisfied;
- (ii) the second tranche of 1,200,000,000 Subscription Shares will be allotted and issued to the Subscriber within 90 days from the date that the conditions to the Subscription Agreement are satisfied; and
- (iii) the final tranche of 1,600,000,000 Subscription Shares will be allotted and issued to the Subscriber within 150 days from the date that the conditions to the Subscription Agreement are satisfied.

The Subscriber will pay the Subscription Price corresponding to each tranche of Subscription Shares allotted and issued at each completion in cash.

The above completion schedule is consistent with the Funding Needs Schedule.

Detailed terms and conditions of the Subscription Agreement are set out under the section headed “THE SUBSCRIPTION AGREEMENT” of the Board Letter.

Taking into account the principal terms of the Subscription (including the Subscription Price) as highlighted above, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable.

## LETTER FROM GRAM CAPITAL

### 3. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION” of the Board Letter, the shareholding interests of the public Shareholders would be diluted by approximately 5.63 percentage points as a result of the Subscription. In this regard, taking into account (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is justifiable.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, in particular:

- (a) the Subscription is an appropriate mean of fund raising;
- (b) approximately 70% of the Net Proceeds from the Subscription can facilitate the Group’s business development according to its business strategy;
- (c) the portion of the Net Proceeds to be applied for general working capital purpose is justifiable;
- (d) given the low liquidity of the Shares during the Review Period, it is reasonable to offer discount to the Subscriber for the Subscription so as to promote the attractiveness of the Subscription Price;
- (e) the Subscription Price is fair and reasonable as demonstrated above;
- (f) the completion schedule of the Subscription Agreement is consistent with the Funding Needs Schedule; and
- (g) the level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is justifiable,

we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription is not conducted in the ordinary and usual course of business of the Company, 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 favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**David Kwan**  
*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

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

### a. Long position in the Shares

Name of director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Yao Jianhui (Note)	Interest in controlled corporation	11,017,759,600	40.23%
	Beneficial owner	44,468,000	0.16%
Ms. Ye Weiqing	Beneficial owner	31,736,000	0.12%

*Note:* Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,794,943,600 shares in the Company. He is also interested in 222,816,000 shares in the Company held by Qianhai Sports Group Limited, a subsidiary of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required,

pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

**b. Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company 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.

**c. Interests in contracts**

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

**d. Interests in competing business**

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**e. Directors' service contracts**

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

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company
Tinmark Development Limited	Beneficial owner	10,794,943,600	39.42%
Tinmark Development Limited	Interest in controlled corporation	222,816,000	0.81%
前海人壽保險股份有限公司	Beneficial owner	4,219,560,000	15.41%
Taiping Assets Management (HK) Company Limited (Note)	Investment manager	4,219,560,000	15.41%

*Note:* Taiping Assets Management (HK) Company Limited is an investment manager of 前海人壽保險股份有限公司, and is thus deemed to be interested in such Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save for Mr. Yao who is the sole director of Tinmark Development Limited which holds approximately 40.23% interest in the Company as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or 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.

### 4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 5. EXPERT'S QUALIFICATIONS AND CONSENT

- a. The following is the qualification of the expert who has given opinions, letters or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- b. The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- c. As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- d. As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any asset which has been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company 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.

## 6. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group was made up, to and including the Latest Practicable Date.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- a. the memorandum and articles of association of the Company;
- b. the letter from the Independent Board Committee to the Independent Shareholders dated 10 October 2019;
- c. the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders;
- d. the consent letter issued by the expert referred to in the paragraph headed "Expert's Qualifications and Consent" in this appendix;
- e. the Subscription Agreement; and
- f. this circular.



**NOTICE OF EXTRAORDINARY GENERAL MEETING**



**寶新金融集團有限公司**

**GLORY SUN FINANCIAL GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01282)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of Glory Sun Financial Group Limited (the “Company”) will be held at 11:00 a.m. on Friday, 25 October 2019 at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No.89 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

1. “**THAT:**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 10 July 2019 entered into between Bao Xin Development Limited (the “**Subscriber**”), a wholly-owned by Mr. Yao Jianhui, and the Company, pursuant to which the Subscriber agreed to subscribe 4,000,000,000 new ordinary shares of HK\$0.10 each (the “**Subscription Shares**”) in the share capital of the Company at HK\$0.25 per Share, and a copy of which having been produced to this meeting and marked “A” and initialed by the chairman of this meeting for the purpose of identification), and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Subscription Shares to the Subscriber be and is hereby approved and confirmed; and
- (c) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Subscription Agreement and completing the transactions contemplated thereby.”

Yours faithfully,

For and on behalf of the Board

**Glory Sun Financial Group Limited**

**Yao Jianhui**

*Chairman and Chief Executive Officer*

Hong Kong, 10 October 2019

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered office:*

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

*Principal Place of Business in Hong Kong:*

Units 1908 to 1909, 19/F, Tower 2 Lippo Centre, No. 89 Queensway Hong Kong

*Notes:*

1. Every member of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy (if a member who is holder of two or more shares) to attend and vote for him/her on his/her behalf at the meeting.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof.