
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 Rosan Resources Holdings Limited, you should at once hand this circular and the accompanying form(s) of proxy to the purchaser or the transferee or to the licensed securities dealer, or to the bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



Rosan Resources Holdings Limited

融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 578)

- (I) DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND ISSUE OF CONSIDERATION SHARES;
(II) THE ISSUE OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;
(III) CONNECTED TRANSACTION IN RELATION TO
THE ISSUE OF SUBSCRIPTION SHARES A TO
RETOP INTERNATIONAL INVESTMENT LIMITED
AND
(IV) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 28 to 29 of this circular. A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 49 of this circular.

A notice convening the SGM to be held at Room 4, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 14 December 2017 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. 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 enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the SGM or any adjourned meeting (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	28
LETTER FROM OCTAL CAPITAL	30
APPENDIX – GENERAL INFORMATION	I-1
SGM NOTICE	SGM-1

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Company from the Seller pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement in relation to the entire issued share capital of the Target Company dated 13 October 2017 and entered into between the Company and the Seller as more particularly described in the section headed “The acquisition of the entire issued share capital of the Target Company” of this circular
“Acquisition Completion”	the completion of the Acquisition Agreement in accordance with the terms of the Acquisition Agreement
“Acquisition Consideration”	HK\$25,500,000, being the consideration payable by the Company under the Acquisition Agreement
“Announcements”	the announcements dated 13 October 2017 and 18 October 2017, issued by the Company in relation to, among other things, the Acquisition Agreement and the Subscription Agreements
“Asia Mark”	Asia Mark Development Limited
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday or any day on which a typhoon signal no. 8 or above or a black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. and 12:00 p.m. and is not lowered or cancelled at 12:00 noon) on which licensed commercial banks in Hong Kong are open for general banking business for the public in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Rosan Resources Holdings Limited (融信資源控股有限公司), a company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange (stock code: 578)

DEFINITIONS

“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration Shares”	127,500,000 new Shares to be allotted and issued to the Seller by the Company at the Issue Price to satisfy the Acquisition Consideration
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Guarantee”	the deed of guarantee to be entered into between the Guarantor and the Company at the Acquisition Completion, the particulars of which are set out in the subsection headed “The acquisition of the entire issued share capital of the Target Company – Guarantee” of this circular
“Henan Xingan”	Henan Xingan New Construction Materials Company Limited* (河南興安新型建築材料有限公司), a limited company established in the PRC, a direct 51% owned subsidiary of Shen Zhi Rong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Subscription Agreement A and the transaction contemplated thereunder
“Independent Financial Adviser”, “Octal Capital”	Octal Capital Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the Subscription Agreement A and the transaction contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

DEFINITIONS

“Independent Shareholders”	the Shareholders who do not have any material interest in the Subscription Agreement A and the transaction contemplated thereunder
“Issue Price”	the issue price of HK\$0.2 per Subscription Share or per Consideration Share
“Last Trading Day”	13 October 2017, being the last trading day of the Shares on the Stock Exchange prior to the publication of the announcement of the Company dated 13 October 2017
“Latest Practicable Date”	22 November 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2018 (or such other date as the relevant parties may agree)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies
“Mr. Bao”	Mr. Bao Hongkai (包洪凱), a substantial Shareholder of the Company
“Mr. Li”	Mr. Li Xiangfei (李翔飛), an Independent Third Party and the subscriber under the Subscription Agreement B
“Mr. Zhang”, “Guarantor”	Mr. Zhang Xinzhi (張信志), the sole shareholder of the Seller as at the Latest Practicable Date and the guarantor of certain obligations of the Seller arising out of the Acquisition
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular

DEFINITIONS

“Retop”	Retop International Investment Limited (瑞拓國際投資有限公司), a limited company incorporated in the British Virgin Islands and a directly wholly-owned subsidiary of Vestfoco International Investment Limited, and the subscriber under the Subscription Agreement A
“RMB”	Renminbi, the lawful currency of the PRC
“Rong Jian (Shenzhen)”	Rong Jian (Shenzhen) Consulting Company Limited* (榮建(深圳)諮詢有限公司), a limited company established in the PRC, an indirect wholly-owned subsidiary of the Target Company and a directly wholly-owned subsidiary of Winkin
“Sale Shares”	50,000 Shares, representing the entire issued share capital of the Target Company
“Seller”	Minan Holding Limited, a limited company incorporated in the British Virgin Islands, the sole shareholder of the Target Company as at the Latest Practicable Date and the vendor under the Acquisition Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for considering and if thought fit, approving, among others, the Subscriptions Agreement A and the transaction contemplated thereunder and the Specific Mandate
“SGM Notice”	the notice convening the SGM which is set out on pages SGM-1 to SMG-3 of this circular
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shen Zhi Rong”	Zhengzhou Shen Zhi Rong Construction Materials Company Limited* (鄭州深之榮建材有限公司), a limited company established in the PRC, an indirect wholly-owned subsidiary of the Target Company and a direct wholly-owned subsidiary of Rong Jian (Shenzhen)

DEFINITIONS

“Specific Mandate”	a specific mandate to be sought from the Shareholders at the SGM for the allotment and issue of the Subscription Shares and the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Retop and Mr. Li
“Subscriptions”	collectively, subscription of Subscription Shares A under the Subscription Agreement A and Subscription Shares B under the Subscription Agreement B
“Subscription Agreement A”	the subscription agreement in relation to the subscription of the Subscription Shares A dated 13 October 2017 and entered into between the Company and Retop
“Subscription Agreement B”	the subscription agreement in relation to the subscription of the Subscription Shares B dated 13 October 2017 and entered into between the Company and Mr. Li
“Subscription Agreements”	collectively, the Subscription Agreement A and the Subscription Agreement B
“Subscription Completion”	collectively, the completion of the Subscription Agreement A and the Subscription Agreement B in accordance with the terms of the Subscription Agreement A and the Subscription Agreement B, respectively
“Subscription Shares A”	100,000,000 Shares to be allotted and issued to Retop by the Company pursuant to the Subscription Agreement A
“Subscription Shares B”	100,000,000 Shares to be allotted and issued to Mr. Li by the Company pursuant to the Subscription Agreement B
“Subscription Shares”	collectively, the Subscription Shares A and the Subscription Shares B
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Company”	Goal Getter Ventures Limited (志達創投有限公司), a limited company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Seller

DEFINITIONS

“Target Group”	collectively, the Target Company, Winkin, Rong Jian (Shenzhen), Zhen Zhi Rong and Henan Xingan
“Vestfoco International”	Vestfoco International Investment Limited, a limited company incorporated in the British Virgin Islands, of which Mr. Bao is the sole beneficial owner
“Winkin”	Winkin Construction Materials Company Limited (榮建建材有限公司), a limited company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Target Company
“%”	per cent

Certain amounts of percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of PRC entities marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

In the event of inconsistency, the English text of the circular, the SGM Notice and the enclosed form of proxy shall prevail over the Chinese text.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.1853. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



Rosan Resources Holdings Limited

融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 578)

Executive Directors:

Mr. Dong Cunling (*Chairman*)
Mr. Yang Hua (*Chief Executive Officer*)
Mr. Chen Xu
Mr. Wu Jiahong
Mr. Zhou Guangwen

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Mr. Li Chunyan

Principal place of business in Hong Kong:

Unit 3204B, 32/F.
Tower I
Admiralty Centre
No. 18 Harcourt Road
Admiralty
Hong Kong

Independent non-executive Directors:

Dr. Chen Renbao
Mr. Jiang Xiaohui
Mr. Ma Yueyong

28 November 2017

To the Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND ISSUE OF CONSIDERATION SHARES;
(II) THE ISSUE OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;
(III) CONNECTED TRANSACTION IN RELATION TO
THE ISSUE OF SUBSCRIPTION SHARES A TO
RETOP INTERNATIONAL INVESTMENT LIMITED
AND
(IV) NOTICE OF SPECIAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcements in relation to the Acquisition Agreement and the Subscription Agreements. The purposes of this circular are:

- (a) to provide you with further information relating to the Acquisition Agreement and the Subscription Agreements;
- (b) to set out the recommendations of the Independent Board Committee relating to the Subscription Agreement A;
- (c) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement A; and
- (d) to give you notice of the SGM to consider and, if thought fit, to approve the Subscription Agreement A and the transaction contemplated thereunder and grant a Specific Mandate for the Company to allot and issue the Consideration Shares, the Subscription Shares A and the Subscription Shares B under the Acquisition Agreement, the Subscription Agreement A and the Subscription Agreement B, respectively.

2. THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Principal terms of the Acquisition Agreement are set out below:

- Date : 13 October 2017
- Parties : (1) the Company as purchaser; and
(2) the Seller as vendor.
- Subject matter : The Company has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares which represent the entire issued share capital of the Target Company.
- Acquisition Consideration : HK\$25,500,000, which shall be satisfied by the allotment and issue of the Consideration Shares to the Seller at the Issue Price at the Acquisition Completion.

LETTER FROM THE BOARD

The Acquisition Consideration was determined after arm's length negotiations between the parties after taking into account the Target Group's financial and operating performance including its latest financial position as shown in its management accounts as at 30 June 2017, and future prospects.

The Board considers that the Acquisition Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

- Conditions precedent :
- (a) no takeover implication or obligation having been triggered under the Takeovers Code by the Acquisition and/or transactions under the Subscription Agreements;
 - (b) a resolution being passed at the SGM in compliance with the Listing Rules, the Bermuda Companies Act, its bye-laws and/or other relevant requirements to approve the grant of a specific mandate to the Board to issue the Consideration Shares;
 - (c) the approval required for the allotment, issue of, listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange and which has not been revoked as at the Acquisition Completion;
 - (d) the Company having conducted its due diligence exercise on the Target Group, its assets and other relevant matters, and being satisfied with the results at its absolute sole discretion;
 - (e) a legal opinion having been issued by the qualified PRC legal advisers, in such form and substance to the satisfaction of the Company, in relation to the Acquisition;

LETTER FROM THE BOARD

- (f) the fulfilment of the conditions precedent under the Acquisition Agreement and the Subscription Agreements (except for the condition for the Acquisition Agreement to become unconditional) and the Acquisition Agreement and the Subscription Agreements not being terminated on or before the Acquisition Completion and the Subscription Completion;
- (g) the parties to the Acquisition Agreement having fully complied with all applicable laws and regulations relating to the Acquisition and the Target Group having obtained all necessary approvals, consents, waivers, reporting and filing (if applicable) required for the transactions under the Acquisition Agreement (including but not limited to any consent, approval, permission, license or recognition required to be obtained from any third parties under any material contracts or financing contracts as a result of the change in the control of the Target Group or the transactions under the Acquisition Agreement) and having performed all necessary legal procedures;
- (h) no judicial or government authorities or regulatory bodies having made, promulgated or adopted any order, ruling, restriction or decision to restrain or prohibit the transactions contemplated under the Acquisition Agreement;
- (i) there has been no proceeding or action or claim which is filed or threatened by any third party at any judicial or government authorities in any jurisdiction or by any government authorities to restrict or prohibit the transaction contemplated under the Acquisition Agreement or declare the illegality of the transaction or seek significant compensation; and

LETTER FROM THE BOARD

- (j) all warranties, representations and undertakings made by the Seller under the Acquisition Agreement remaining true and accurate in all material respects as at the date of the Acquisition Agreement and up to the date of the Acquisition Completion and there having been no material misleading statements or material omissions.

The Company may waive any or all of the conditions precedent under paragraphs (d), (e) and (j).

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived.

- Acquisition Completion : Within three Business Days immediately after fulfilment (or waiver, as the case may be) of the conditions precedent or any other date mutually agreed by the parties.
- Termination : If the conditions precedent under the Acquisition Agreement have not been fulfilled or waived on or before the Long Stop Date, the Acquisition Agreement will lapse and become null and void and the Company and the Seller will be released from all obligations thereunder, save for liabilities for any antecedent breaches.
- Guarantee : In consideration of the Company entering into the Acquisition Agreement, the Guarantor will, upon the Acquisition Completion, execute a Guarantee in favour of the Company, pursuant to which the Guarantor will unconditionally and irrevocably undertake with the Company that the Guarantor will procure the Seller to perform its obligations under the Acquisition Agreement and if the Seller fails to perform its obligations under the Acquisition Agreement, the Guarantor shall perform the obligations immediately when requested by the Company as if the Guarantor was the principal obligor.

LETTER FROM THE BOARD

3. ISSUE OF SUBSCRIPTION SHARES – SUBSCRIPTION AGREEMENT A

Principal terms of the Subscription Agreement A are set out below:

- Date : 13 October 2017
- Parties : (1) the Company as issuer; and
(2) Retop as subscriber.
- Subject matter : Retop has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 100,000,000 new Shares (i.e. the Subscription Shares A) to Retop at the Issue Price.
- Subscription consideration : HK\$20 million, which shall be payable at completion of the Subscription Agreement A by cash, cheque or bank transfer.

The terms of the Subscription Agreement A were determined after arm's length negotiations between the Company and Retop on normal commercial terms.

The Board considers that the terms of the Subscription Agreement A are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

- Conditions precedent : (a) no takeover implication or obligation having been triggered under the Takeovers Code by the Acquisition and/or transactions under the Subscription Agreements;
- (b) a resolution being passed at the SGM in compliance with the Listing Rules, the Bermuda Companies Act, its bye-laws and/or other relevant requirements to approve (i) the entering into of the Subscription Agreement A and the performance of the transactions under the Subscription Agreement A by the Company; and (ii) the grant of a specific mandate to the Board to issue the Subscription Shares A;

LETTER FROM THE BOARD

- (c) the approval required for the allotment, issue of, listing of, and permission to deal in, the Subscription Shares A having been granted by the Stock Exchange and which has not been revoked prior to the Subscription Completion; and
- (d) the fulfilment of the conditions precedent under the Acquisition Agreement and the Subscription Agreements (except for the condition for the Subscription Agreement A to become unconditional) and the Acquisition Agreement and the Subscription Agreements not being terminated on or before the Acquisition Completion and the Subscription Completion.

None of the conditions precedent may be waived by the parties to the Subscription Agreement A. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

- Subscription Completion : Within three Business Days immediately after fulfilment of the conditions precedent or any other date mutually agreed by the parties.
- Termination : If the conditions precedent under the Subscription Agreement A have not been fulfilled on or before the Long Stop Date, the Subscription Agreement A will lapse and become null and void and the Company and Retop will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

4. ISSUE OF SUBSCRIPTION SHARES – SUBSCRIPTION AGREEMENT B

Principal terms of the Subscription Agreement B are set out below:

- Date : 13 October 2017
- Parties : (1) the Company as issuer; and
(2) Mr. Li as subscriber.

LETTER FROM THE BOARD

Subject matter : Mr. Li has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 100,000,000 new Shares (i.e. the Subscription Shares B) to Mr. Li at the Issue Price.

Subscription consideration : HK\$20 million, which shall be payable at completion of the Subscription Agreement B by cash, cheque or bank transfer.

The terms of the Subscription Agreement B were determined after arm's length negotiations between the Company and Mr. Li on normal commercial terms.

The Board considers that the terms of the Subscription Agreement B are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent : (a) no takeover implication or obligation having been triggered under the Takeovers Code by the Acquisition and/or transactions under the Subscription Agreements;

(b) a resolution being passed at the SGM in compliance with the Listing Rules, the Bermuda Companies Act, its bye-laws and/or other relevant requirements to approve (i) the entering into of the Subscription Agreement B and the performance of the transactions under the Subscription Agreement B by the Company; and (ii) the grant of a specific mandate to the Board to issue the Subscription Shares B;

(c) the approval required for the allotment, issue of, listing of, and permission to deal in, the Subscription Shares B having been granted by the Stock Exchange and which has not been revoked prior to the Subscription Completion; and

LETTER FROM THE BOARD

- (d) the fulfilment of the conditions precedent under the Acquisition Agreement and the Subscription Agreements (except for the condition for the Subscription Agreement B to become unconditional) and the Acquisition Agreement and the Subscription Agreements not being terminated on or before the Acquisition Completion and the Subscription Completion.

None of the conditions precedent may be waived by the parties to the Subscription Agreement B. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

- Subscription completion : Within three Business Days immediately after fulfilment of the conditions precedent or any other date mutually agreed by parties.
- Termination : If the conditions precedent under the Subscription Agreement B have not been fulfilled on or before the Long Stop Date, the Subscription Agreement B will lapse and become null and void and the Company and Mr. Li will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

5. SUBSCRIPTION SHARES A

The Subscription Shares A, will be issued at the Issue Price, which was determined after arm's length negotiations between the Company and Retop with reference to the recent market prices of the Shares.

As at the Latest Practicable Date, the Company has 712,673,692 Shares in issue. The Subscription Shares A represent:

- (a) approximately 14.03% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 9.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Consideration Shares upon the Subscription Completion and the Acquisition Completion.

LETTER FROM THE BOARD

The Subscription Shares A will be allotted and issued pursuant to a Specific Mandate to be sought by the Company at the SGM. The Subscription Shares A, when allotted and issued, will rank pari passu in all respects with the Shares in issue. 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 A.

If the Subscription Agreement A cannot be completed by 5 March 2018, the Company reserves the right to seek Shareholders' approval for further subscription agreement(s) to be entered into subject to the negotiations with the relevant parties.

6. SUBSCRIPTION SHARES B

The Subscription Shares B will be issued at the Issue Price, which was determined after arm's length negotiations between the Company and Mr. Li with reference to the recent market prices of the Shares.

As at the Latest Practicable Date, the Company has 712,673,692 Shares in issue. The Subscription Shares B represent:

- (a) approximately 14.03% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 9.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Consideration Shares upon Subscription Completion and Acquisition Completion.

The Subscription Shares B will be allotted and issued pursuant to a Specific Mandate to be sought by the Company at the SGM. The Subscription Shares B, when allotted and issued, will rank pari passu in all respects with the Shares in issue. 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 B.

If the Subscription Agreement B cannot be completed by 5 March 2018, the Company reserves the right to seek Shareholders' approval for further subscription agreement(s) to be entered into subject to the negotiations with the relevant parties.

7. CONSIDERATION SHARES

The Consideration Shares will be issued at the Issue Price, which was determined after arm's length negotiations between the Company and the Seller with reference to the recent market prices of the Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 712,673,692 Shares in issue. The Consideration Shares represent:

- (a) approximately 17.89% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 12.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Consideration Shares upon the Subscription Completion and the Acquisition Completion.

The Consideration Shares will be allotted and issued pursuant to a Specific Mandate to be sought by the Company at the SGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue. 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 Consideration Shares.

8. ISSUE PRICE

The Issue Price represents:

- (a) a premium of approximately 34.23% to the closing price of HK\$0.1490 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 32.10% to the average closing price HK\$0.1514 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (c) a premium of approximately 29.28% to the average closing price HK\$0.1547 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (d) a premium of approximately 30.72% over the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 130.44% over the consolidated net asset value of the Company of approximately HK\$0.09 per Shares as at 30 June 2017 (based on the unaudited consolidated net asset value of the Company as at 30 June 2017 as set out in the Company's interim report for the six months ended 30 June 2017 and the number of issued Shares as at the Latest Practicable Date).

The Directors consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

9. EQUITY FUND RAISING BY THE COMPANY

Reference is made to the announcements of the Company dated 12 October 2016 and 30 November 2016, respectively. A fund raising activity, being the proposed issue of 141,000,000 new shares of the Company under the general mandate to certain selected employees, was lapsed and terminated due to the expiry of the long stop date without extension.

Apart from the above terminated fund raising activity, the Company did not carry out any equity fund raising activities in the 12-month period immediately before the date of this circular.

10. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the change in the shareholding structure of the Company immediately after the allotment and issue of the Subscription Shares and the Consideration Shares:

	As at the Latest Practicable Date		Immediately upon allotment and issue of the Subscription Shares and the Consideration Shares	
	<i>No. of Shares</i>	<i>Approx. shareholding %</i>	<i>No. of Shares</i>	<i>Approx. shareholding %</i>
Shareholders:				
Mr. Dong Cunling (“Mr. Dong”) <i>(Note 1)</i>	540,000	0.08	540,000	0.05
Mr. Yang Hua (“Mr. Yang”) <i>(Note 1)</i>	10,089,196	1.42	10,089,196	0.97
Mr. Bao and Retop <i>(Note 2)</i>	142,075,000	19.94	242,075,000	23.27
Mr. Li Yupeng <i>(Note 3)</i>	71,000,000	9.96	71,000,000	6.83
Mr. Kwong Ying Hou and Asia Mark <i>(Note 4)</i>	49,380,000	6.93	49,380,000	4.75
Mr. Li	–	–	100,000,000	9.61
Mr. Zhang and the Seller	–	–	127,500,000	12.26
Other public Shareholders	439,589,496	61.67	439,589,496	42.26
Total	712,673,692	100.00	1,040,173,692	100.00

LETTER FROM THE BOARD

Note:

- (1) *Mr. Dong and Mr. Yang are the executive directors of the Company as at the Latest Practicable Date*
- (2) *As at the Latest Practicable Date, Retop and Mr. Bao beneficially own 141,400,000 Shares and 675,000 Shares respectively. Retop is beneficially and wholly owned by Vestfoco International of which Mr. Bao is the sole beneficial owner. Accordingly, Vestfoco International and Mr. Bao are deemed to be interested in the Shares held by Retop.*
- (3) *Mr. Li Yupeng is an independent shareholder who is not connected to the Company.*
- (4) *Asia Mark is beneficially and wholly owned by Mr. Kwong Ying Hou. He is an independent shareholder who is not connected to the Company.*

11. INFORMATION OF THE PARTIES

The Company

The Company is engaged in investment holding and the principal activity of its major subsidiaries are production and sale of coal and trading of purchased coal in the PRC.

The Seller

The Seller is a sole shareholder of the Target Company as at the Latest Practicable Date. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Seller and its ultimate beneficial owner is an Independent Third Party.

Mr. Bao

Mr. Bao and his associate, Retop, are substantial Shareholders interested in an aggregate of approximately 19.94% of the entire issued share capital of the Company as at the Latest Practicable Date and hence a connected person of the Company.

Mr. Li

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Li is an Independent Third Party.

LETTER FROM THE BOARD

12. INFORMATION OF THE TARGET GROUP

The Target Company

The Target Company is a limited company incorporated in the BVI. As at the Latest Practicable Date, the Target Company is wholly-owned by the Seller and save for holding the entire issued share capital of Winkin, The Target Company has not carried on any business and has no other assets since its incorporation.

Winkin

Winkin is a limited company incorporated in Hong Kong. Since its incorporation and as at the Latest Practicable Date, save for holding the entire issued share capital of Rong Jian (Shenzhen), Winkin has not carried on any business and has no assets.

Rong Jian (Shenzhen)

Rong Jian (Shenzhen) is a limited company established in the PRC. Since its establishment and as at the Latest Practicable Date, save for holding the entire issued share capital of Shen Zhi Rong, Rong Jian (Shenzhen) has not carried on any business and has no assets.

Shen Zhi Rong

Shen Zhi Rong is a limited company established in the PRC. Since its establishment and as at the Latest Practicable Date, save for holding 51% equity interest of Henan Xingan, Shen Zhi Rong has not carried on any business and has no assets.

Henan Xingan

Henan Xingan is a limited company established in the PRC. Since its establishment and as at the Latest Practicable Date, Henan Xingan is principally engaged in the manufacturing and sale of building materials at Xingyang City, Henan Province, the PRC. Building materials such as coal-powder-ash, gypsum plasterboards, autoclaved lightweight concrete building, plank, autoclaved aerated concrete blocks and dry-mixed mortar, which are necessary in buildings construction and in infrastructure. Its customers are mainly constructors and buildings developers located within Henan Province, the PRC.

LETTER FROM THE BOARD

Financial Information

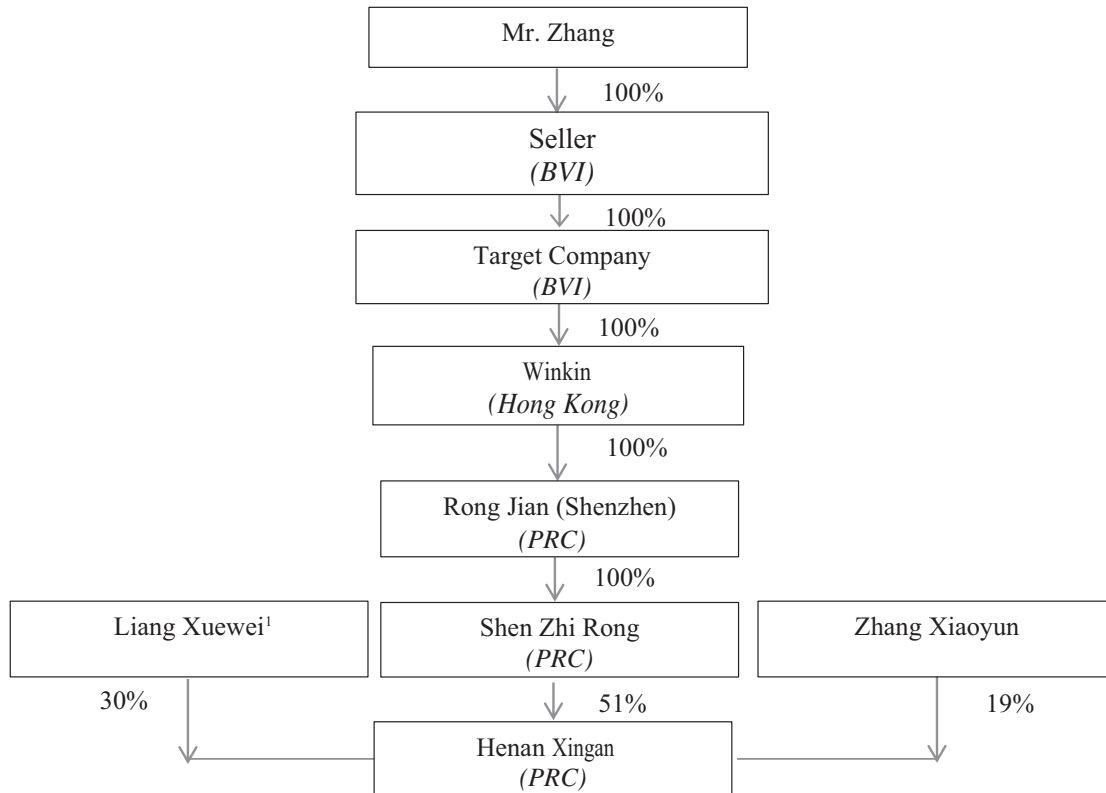
Set out below is a summary of certain financial information of the Target Group for the two years ended 31 December 2015 and 2016 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	92,882	100,891
Profit/(Loss) before taxation	(2,597)	14,441
Profit/(Loss) after taxation	(3,566)	11,927
Profit/(Loss) for the year	(3,566)	11,927
Total assets	250,791	251,531
Net assets	15,984	27,911

LETTER FROM THE BOARD

As at 30 June 2017, the unaudited total asset value and net asset value of the Target Group were approximately RMB244.13 million (equivalent to approximately HK\$289.37 million) and approximately RMB31.89 million (equivalent to approximately HK\$37.80 million).

Target Group's shareholding chart before Acquisition Completion

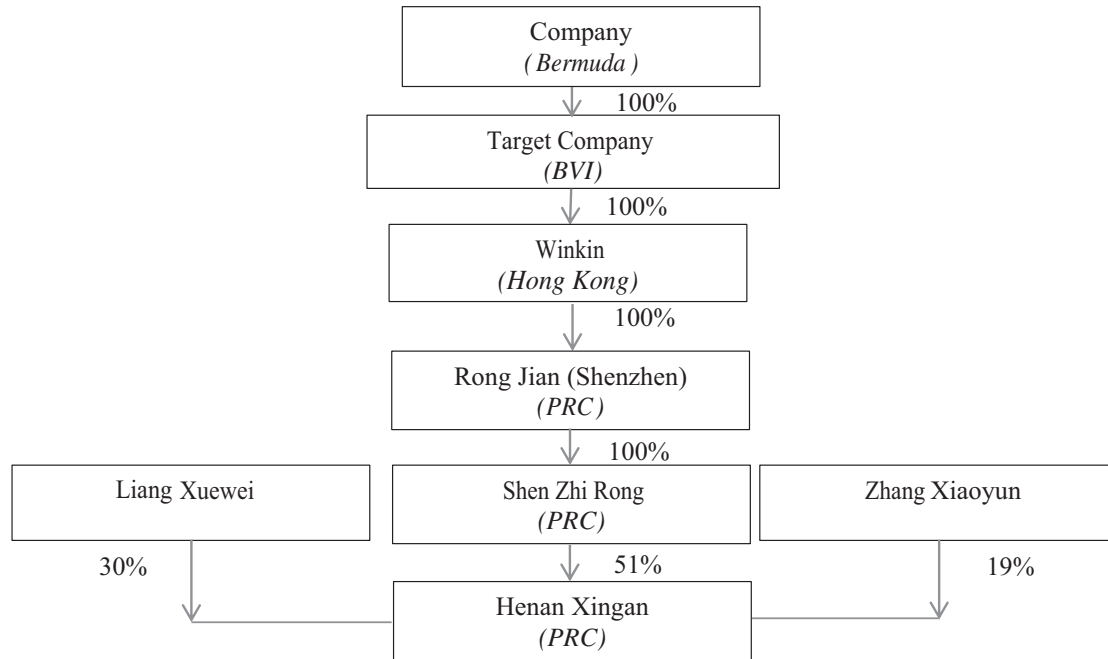


Note:

1. Liang Xuwei is a professional accountant in the PRC, who has over 15 years' working experience in financial industry and real estate development. She also has investment in several enterprises in Henan Province. She is an Independent Third Party.

LETTER FROM THE BOARD

Target Group's shareholding chart after Acquisition Completion



LETTER FROM THE BOARD

13. FINANCIAL EFFECT OF THE ACQUISITION

Upon the Acquisition Completion, the Target Group will become subsidiaries of the Company and the results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group.

14. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The reason for the Acquisition is that the Company can diversify its business segments to engage in the manufacturing and sale of building materials in the PRC.

According to the Ministry of Industry and Information Technology of the PRC, the added value of the building materials industry in the PRC increased by 6.7% in 2016. The production volume for cement and flat glass increased by 2.5% and 5.8% respectively, while the production volume for concrete, glass fiber, tempered glass, building ceramics and brick increased by more than 7%.

Revenue for the building materials industry in the PRC also increased by 5.3% in 2016 according to the Ministry of Industry and Information Technology of the PRC.

According to the Bureau of Statistics of Henan Province, the investment in real estate development in Henan Province increased by 28.2% from RMB481.9 billion in 2015 to RMB617.9 billion in 2016.

The Company believes that the Acquisition allows the Group to explore a new income stream and improve the Group's turnover and results.

As mentioned in the Company's interim report for the six months ended 30 June 2017, revenue for the Group decreased by approximately 20.8% from approximately HK\$360.8 million for the six months ended 30 June 2016 to approximately HK\$285.9 million for the six months ended 30 June 2017, and the Group recorded a consolidated net loss of approximately HK\$41.8 million for the six months ended 30 June 2017.

The purpose of the Subscriptions is to raise fund for general working capital of the Company. As mentioned in the Company's interim report for the six months ended 30 June 2017, the Group was at net current liabilities position as at 30 June 2017. Net proceeds from the Subscriptions of approximately HK\$35.4 million are intended to be used for the general working capital of the Company to improve the financial position of the Group, in particular, approximately HK\$15 million of which will be used for the administrative expenses of the Company for the next financial year, such as directors and staff salary, office rental expenses, audit fee, legal and professional fee, annual listing fee to the Stock Exchange, Bermuda annual government fee, etc. The remaining approximately HK\$20.4 million will be used for future administrative and operating expenses for both the existing coal related business of the Group and the new building materials related business of the Target Group to be acquired.

LETTER FROM THE BOARD

Considering the current financial position of the Group, the Directors are of the view that having the Acquisition and the Subscriptions inter-conditional upon each other is in the interest of the Company because the Group will have more flexibility to utilize the working capital raised from the Subscriptions for the existing coal related business and/or the business of the Target Group. The Group may, depending on the circumstances, allocate part of the net proceeds from the Subscriptions for the existing coal related business and/or the business of the Target Group should any of them have any capital requirement. If the Acquisition and the Subscriptions are not inter-conditional upon each other, the Group will face uncertainty about future financing for the existing coal related business and/or the business of the Target Group after Acquisition Completion.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Subscriptions are fair and reasonable and the Acquisition and the Subscriptions are in the interests of the Company and the Shareholders as a whole.

15. LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements. The Company will seek approval for, among other things, the Specific Mandate to issue the Consideration Shares from the Shareholders at the SGM.

Mr. Bao and his associate, Retop, are substantial Shareholders interested in an aggregate of approximately 19.94% of the entire issued share capital of the Company as at the Latest Practicable Date and hence are connected persons of the Company under the Listing Rules. The entering into of the Subscription Agreement A constitutes a connected transaction of the Company and it is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the Subscription Agreement A and the transaction contemplated thereunder and to advise the Independent Shareholders on how to vote. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscription Agreement A is fair and reasonable and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

No Director is required to abstain from voting at the board meeting approving the Acquisition Agreement, the Subscription Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

16. SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at Room 4, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at which the relevant resolutions will be proposed at the SGM to approve, among other things, the Subscription Agreement A and the transaction contemplated thereunder and the grant of the Specific Mandate. The resolutions proposed to be approved at the SGM will be taken by poll and an announcement on the results of the SGM will be made by the Company after the SGM.

Any Shareholder with a material interest in the proposed transaction and his close associates will abstain from voting on resolution(s) approving that transaction(s). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition Agreement and the Subscription Agreement B and is required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Specific Mandate to issue the Consideration Shares and the Subscription Shares B. As Mr. Bao and his associate have a material interest in the Subscription Agreement A, Mr. Bao and his associate are required to abstain from voting for the relevant resolutions to approve the Subscription Agreement A and the transaction contemplated thereunder at the SGM.

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

17. RECOMMENDATION

The Board (including the Independent Non-executive Directors), having taken into account the reasons set out in the paragraphs headed "Reasons for and benefits of the transactions" above, considers that the Acquisition Agreement and the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions which will be proposed at the SGM for approving the Subscription Agreement A and the transaction contemplated thereunder and the grant of the Specific Mandate.

LETTER FROM THE BOARD

18. 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
Rosan Resources Holdings Limited
Dong Cunling
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Subscription Agreement A and the transaction contemplated thereunder.



Rosan Resources Holdings Limited

融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 578)

28 November 2017

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF SUBSCRIPTION SHARES A TO RETOP INTERNATIONAL INVESTMENT LIMITED

We refer to the circular of the Company to the Shareholders dated 28 November 2017 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Subscription Agreement A are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement A and the transaction contemplated thereunder, as set out on pages 30 to 49 of the Circular and the letter from the Board as set out on pages 7 to 27 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement A, and the factors and reasons considered by Octal Capital and its opinion as stated in its letter of advice, we consider that the terms of the Subscription Agreement A are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the Subscription Agreement A and the transaction contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Rosan Resources Holdings Limited

Dr. CHEN Renbao
*Independent Non-executive
Director*

Mr. JIANG Xiaohui
*Independent Non-executive
Director*

Mr. Ma Yueyong
*Independent Non-executive
Director*

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement A prepared for the purpose of inclusion in this circular.



Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

28 November 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF SUBSCRIPTION SHARES A TO RETOP INTERNATIONAL INVESTMENT LIMITED

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement A and the transaction contemplated thereunder, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular issued by the Company to the Shareholders dated 28 November 2017 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

As set out in the Letter from the Board, on 13 October 2017, the Group entered into the Subscription Agreement A with Retop, pursuant to which Retop has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, 100,000,000 new shares at a consideration of HK\$20 million. The Subscription Shares A represent (a) approximately 14.03% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 9.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Consideration Shares upon the Subscription Completion and the Acquisition Completion. The Subscription Shares A will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

LETTER FROM OCTAL CAPITAL

As Mr. Bao and his associate, Retop, are substantial Shareholders interested in an aggregate of approximately 19.94% of the entire issued share capital of the Group as at the Latest Practicable Date and hence are connected persons of the Company under the Listing Rules, the entering into of the Subscription Agreement A constitutes a connected transaction of the Group and it is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the Independent Non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Subscription Agreement A and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the SGM.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or Retop or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interests between the Group and us during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Group.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Group regarding the Company and the Subscription Agreement A with Retop, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Group in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Company and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM OCTAL CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Subscription Agreement A and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Subscription Agreement A and use of proceeds

1.1 Information on the Group

The Company was incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Company is engaged in investment holding and the principal activities of its major subsidiaries are production and sale of coal and trading of purchased coal in the PRC.

Since 2012, the Group had been experiencing a loss for several consecutive years, including the year ended 31 December 2016. The Company recorded net loss for the year attributable to owners of the Company of approximately HK\$344.2 million for the year ended 31 December 2012. The net losses over the years were basically attributed to the decreasing trend of coal price commencing from 2011 and the closure and suspension of certain coal mines of the Group during the recent years. Owing to the Group's persistent loss-making performance, the Company has started recording net current liabilities since 31 December 2013.

Set out below is a summary of the consolidated financial information of the Group for the six months ended 30 June 2017 (the "FY2017 1H") as extracted from the Group's interim report for the six months ended 30 June 2017 (the "2017 Interim Report"), years ended 31 December 2015 (the "FY2015") and 31 December 2016 (the "FY2016") as extracted from the Group's annual reports for the year ended 31 December 2015 (the "2015 Annual Report") and 31 December 2016 (the "2016 Annual Report"):

LETTER FROM OCTAL CAPITAL

	For the six months ended 30 June 2017 (Unaudited) HK\$'000	For the year ended 31 December 2016 2015 (audited) (audited) HK\$'000 HK\$'000	
Revenue	285,875	718,879	721,810
– Production and sale of coal	33,406	108,219	156,764
– Trading of purchased coal	252,469	610,660	565,046
Cost of sales	(304,939)	(805,095)	(847,278)
Gross loss	(19,064)	(86,216)	(125,468)
Loss for the period/year	(41,847)	(261,026)	(370,332)
Loss for the period/year attributable to the owners of the Group	(38,528)	(236,195)	(335,317)

According to the 2016 Annual Report, the revenue of the Group had been relatively stable for the FY2016 (approximately HK\$718.9 million) to the FY2015 (approximately HK\$721.8 million). The Group's gross loss had been improved from approximately HK\$125.5 million for the FY2015 to approximately HK\$86.2 million for the FY2016. The improvement was mainly due to the increase in average selling price of coal from approximately RMB301.1 per ton for the FY2015 to approximately RMB324.5 per ton for the FY2016. The net loss attributable to the owners of the Group for the FY2016 was approximately HK\$236.2 million, representing a decrease of approximately 29.6% as compared to that for the FY2015 of approximately HK\$335.3 million. The decrease was mainly due to the decrease in impairment loss on certain assets including mining rights and property, and plant and equipment as compared to those for the FY2015.

According to the 2017 Interim Report, the revenue of the Group for the FY2017 1H amounted to approximately HK\$285.9 million, representing a decrease of 20.8% from approximately HK\$360.8 million for the six months ended 30 June 2016 (the "FY2016 1H"). The decrease was mainly due to the suspension of coal mines of the Group during most of the time for the FY2017 1H. The Group's gross loss decreased from approximately HK\$37.7 million for the FY2016 1H to approximately HK\$19.1 million for the FY2017 1H. The decrease in gross loss was mainly due to the increase in average selling price of the coal during the period.

LETTER FROM OCTAL CAPITAL

Set out below is the summary of the unaudited consolidated financial position of the Group as at 30 June 2017 as extracted from the 2017 Interim Report and audited consolidated financial position of the Group as at 31 December 2015 and 31 December 2016 as extracted from the 2016 Annual Report:

	As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000	2015 (audited) HK\$'000
Total non-current assets	679,278	680,166	902,177
Total current assets	1,292,631	1,243,954	1,466,044
Total assets	1,971,909	1,924,120	2,368,221
Total non-current liabilities	95,515	92,593	102,531
Total current liabilities	1,814,541	1,731,112	1,887,862
Total liabilities	1,910,056	1,823,705	1,990,393
Equity attributable to the owners of the Group	116,656	152,044	403,125
Net assets	61,853	100,415	377,828
Net current liabilities	521,910	487,158	421,818
Cash and cash equivalents	131,808	178,134	541,224
Current ratio	0.71	0.72	0.78
Gearing ratio	925.3%	563.5%	165.2%

As at 31 December 2016, the Group's total assets amounted to approximately HK\$1.9 billion, representing a decrease of approximately HK\$444.1 million from 31 December 2015. The decrease was mainly due to the decrease of cash and cash equivalents of approximately HK\$363.1 million, as there was a significant amount of cash outflow from operating and cash outflow from financing activities. The Group's total liabilities amounted to approximately HK\$1.8 billion as at 31 December 2016, representing a decrease of HK\$166.7 million when compared to that as at 31 December 2015. The decrease was mainly attributable to (i) the decrease of bank loans of approximately HK\$51.8 million; (ii) the decrease of accounts and bills payables of approximately HK\$67.0 million; and (iii) the decrease of other payables and accruals of approximately HK\$34.3 million. As at 31 December 2016, the Group's current ratio (defined as current assets divided by current liabilities) of the Group of approximately 0.72 which was lower than that of approximately 0.78 as at 31 December 2015. The decrease in the current ratio was mainly driven by the significant drop of current assets of approximately HK\$222.1 million, in particular the cash and cash equivalents. The Group's gearing ratio (defined as the sum of bank loans and amount due to an associate divided by the net assets of the Group), which increased from approximately 165.2% as at 31 December 2015 to approximately 563.5% as at 31 December 2016. The substantial increase in the Group's gearing ratio was mainly due to the decrease in net asset as at 31 December 2016, which was substantially decreased from approximately HK\$377.8 million as at 31 December 2015 to approximately HK\$100.4 million as at 31 December 2016.

LETTER FROM OCTAL CAPITAL

As at 30 June 2017, the Group's total assets amounted to approximately HK\$2.0 billion, mainly comprising property, plant and equipment, mining rights, accounts and bills receivables, prepayments, deposit and other receivables and pledged bank deposits. The total assets increased by approximately HK\$47.8 million as compared to that as at 31 December 2016, which was mainly contributed by the increase in accounts and bills receivables of approximately HK\$160.0 million and was partially offset by a decrease in prepayments, deposits and other receivables of approximately HK\$107.1 million in aggregate. The Group's total liabilities of the Group as at 30 June 2017 amounted to approximately HK\$1.9 billion, mainly comprising accounts and bills payables, other payables and accruals and bank loans. The total liabilities increased by approximately HK\$86.4 million from 31 December 2016, which was mainly attributable to the increase of accounts and bills payables and other payables and accruals of approximately HK\$75.2 million. During the first half of 2017, the Group's current ratio of the Group remained at a similar level when compared to that as at 31 December 2016. The Group's gearing ratio increased from approximately 563.5% as at 31 December 2016 to approximately 925.3% as at 30 June 2017. The substantial increase in the Group's gearing ratio was mainly due to the increase in current liabilities, which increased from approximately HK\$1,731 million as at 31 December 2016 to approximately HK\$1,815 million as at 30 June 2017.

1.2 Reasons for entering into the Subscription Agreement A

As set out in the annual reports of the Company published in recent years, we note that the performance of the Group's coal mining business has been deteriorating and the Company recorded net loss since 2012, which were mainly attributable to (i) the decreasing production volume of coal due to the closure and suspension of the certain coal mines of the Group over the years; and (ii) the decrease in general coal price as a result of sluggish market demand, overcapacity resulting from the decelerating economic growth and promotion of clean energy in the PRC during these recent years. In 2016, the surge in coal price was mainly due to the supply-side reform in the coal industry implemented by the PRC government which has become effective. According to the statistics published at Qinhuangdao Coal website 秦皇島煤炭網 (<http://www.cqcoal.com>), the Bohai-rim Steam Coal Price Index, a leading indicator for coal price in the PRC, increased from approximately 371 at the beginning of 2016 to approximately 576 as at the Latest Practicable Date, representing an increase of approximately 55.3% during the period. However, the Group's financial performance has not been turnaround during the trend of rapid rising of the coal price since the operation of certain coal mines has been suspended as disclosed in the announcement of the Company dated 10 January 2017. As at the Latest Practicable Date, two coal mines of the Group obtained approvals from relevant government authority for the resumption of operation, however another two coal mines are currently still in the stage of suspension. As set out in the "Information on the Group" above, the Group recorded net losses attributable to the owner of the Company of approximately HK\$335.3 million and HK\$236.2 million for FY2015 and FY2016 respectively. The financial position of the Group has been deteriorating for the past few years. As at 31 December 2016, the Group has net current liabilities of approximately HK\$487.1 million, representing an increase by approximately 15.5% when

LETTER FROM OCTAL CAPITAL

compared to that as at 31 December 2015. We also note that the current ratio as at 31 December 2016 and 30 June 2017 were approximately 0.72 time and 0.71 time respectively, which are less than 1 time, reflecting the Group is facing low liquidity level which may affect the operation and profit of the Group. The Group's gearing ratio had been increased from approximately 165.2% as at 31 December 2015 to approximately 563.5% as at 31 December 2016. The substantial increase in the gearing ratio during these years may worsen the Group's financial condition and operating results, and we are of the view that the entering into the Subscription Agreement A can enhance its working capital level so as to improve the overall liquidity and financial position of the Group.

With reference to the Letter from the Board, we note that the net proceeds from the Subscriptions of approximately HK\$35.4 million are intended to be used for the general working capital to improve the financial position of the Group, in particular, approximately HK\$15 million of which will be used for the administrative expenses for the next financial year, such as directors and staff salary, office rental expenses, audit fee, legal and professional fee, annual listing fee to the Stock Exchange, Bermuda annual government fee, etc. The remaining of approximately HK\$20.4 million will be used for future administrative and operating expenses for both the existing coal related business of the Group and the new building materials related business of the Target Group to be acquired. For the financial year ended 31 December 2016 and the six months ended 30 June 2017, the Group incurred administrative expenses of approximately HK\$44.58 million and HK\$21.23 million, respectively. We note that the Group's cash and cash equivalents as at 30 June 2017 was approximately HK\$131.8 million. As advised by the management of the Company, the administrative expenses of the Group, which mainly involve wages and salaries, rental expenses, professional charges, are the fixed operating costs of the Group. It is also expected that after the new business acquired, the total administrative expenses of the Group will increase. In this regard, we have obtained the financial information of the Target Group and note that the Target Group recorded an increase in revenue and net profit for the recent two financial years. Taking into account the growth potential of the Target Group and the future prospect of the building materials industry in the PRC, the Group intends to allocate more financial resources to the Target Group for its future expansion. Moreover, having considered the other regular expenditure incurred by the Group in relation to the existing coal related business, such as finance costs and repayment of accounts payable, we are of the view that the additional working capital to be raised by the Subscriptions can provide more flexibility to utilize the working capital of the Group.

As noticed from the Letter from the Board, the Directors are of the view that having the Acquisition and the Subscriptions inter-conditional upon each other is in the interest of the Company because the Group will have more flexibility to utilize the working capital raised from the Subscriptions for the existing coal related business and/or the business of the Target Group. If the Acquisition and the Subscriptions are not inter-conditional upon each other, the Group will face uncertainty about future financing for the existing coal related business and/or the business of the Target Group after the Acquisition completion. After further discussion with the Company and review on the current financial position of

LETTER FROM OCTAL CAPITAL

the Group, we note that with the immediate financial support from the Subscriptions, it will help to ease the present net current liabilities status for existing business as well as providing additional liquidity for the new business to be acquired. Taking into account that the proceeds to be generated by the Subscriptions can support the operation needs and future expansion of the Target Group as abovementioned, the Directors are of the view that the inter-conditional term of the Acquisition and the Subscriptions is in the interest of the Company.

Having considered (i) the Group's net current liabilities position which poses liquidity pressure to the Group; (ii) the deteriorating financial position due to substantial increase in gearing ratio of the Group; (iii) the expected increase in administrative expenses after the new business acquired; (iv) other necessary expenditure in relation to the Group's coal business; (v) additional working capital require after the resumption of operation of two coal mines; (vi) the uncertainty of the outcome of the resumption of the Group's remaining coal mines; and (vii) the flexibility of the use of proceeds on the existing operation of the Group's existing coal business and the Target Group's building materials business under the Acquisition and the Subscriptions being inter-conditional upon each other, we are of the view that the entering into the Subscription Agreement A and the inter-conditional term under the Acquisition and the Subscriptions, which enable the Company to raise additional equity funding to enhance its working capital which in turn will improve its financial position and provide flexibility to utilise the working capital raised from the Subscriptions, are fair and reasonable, on normal commercial terms and in the Company's and the Shareholder's interest as a whole.

2. Principal terms of Subscription Agreement A

Date

13 October 2017

Parties

- (1) the Company as issuer; and
- (2) Retop as subscriber.

Pursuant to Subscription Agreement A, Retop has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue 100,000,000 new Shares at a consideration of HK\$20 million, at the Issue Price of HK\$0.2 per new Share which shall be payable by cash, cheque or bank transfer at completion of the Subscription Agreement A. As no fees or commissions are payable to Retop, the gross and net proceeds of the Subscription Agreement A are substantially the same.

LETTER FROM OCTAL CAPITAL

The issue price of Subscription Agreement A is HK\$0.2 per new Share. With reference to the Letter from the Board, we note that (i) the Subscription Agreement B was entered between the Company and Mr. Li; and (ii) the Acquisition Agreement was entered between the Company and the Seller on the same day as the Subscription Agreement A, in which Mr. Li and the Seller are Independent Third Parties as stated in the Letter from the Board. The Issue Price is the same as to the issue price under the Subscription Agreement B and the Acquisition Agreement, which were negotiated on an arm's length basis.

Conditions precedent to the Subscription Agreement A

- (a) no takeover implication or obligation having been triggered under the Takeovers Code by the Acquisition and/or transactions under the Subscription Agreements;
- (b) a resolution being passed at the SGM in compliance with the Listing Rules, the Bermuda Companies Act, its bye-laws and/or other relevant requirements to approve (i) the entering into of the Subscription Agreement A and the performance of the transactions under the Subscription Agreement A by the Group; and (ii) the grant of a specific mandate to the Board to issue the Subscription Shares A;
- (c) the approval required for the allotment, issue of, listing of, and permission to deal in, the Subscription Share A having been granted by the Stock Exchange and which has not been revoked prior to the completion of the Subscription Completion; and
- (d) the fulfilment of the conditions precedent under the Acquisition Agreement and the Subscription Agreements (except for the condition for the Subscription Agreement A to become unconditional) and the Acquisition Agreement and the Subscription Agreements not being terminated on or before the Acquisition Completion and the Subscription Completion.

None of the conditions precedent may be waived by the parties to the Subscription Agreement A. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

If the conditions precedent under the Subscription Agreement A have not been fulfilled on or before the Long Stop Date, the Subscription Agreement A will lapse and become null and void and the Company and Retop will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

Issue Price

To assess the fairness and reasonableness of the Issue Price, we set out the following analyses for illustrative purpose:

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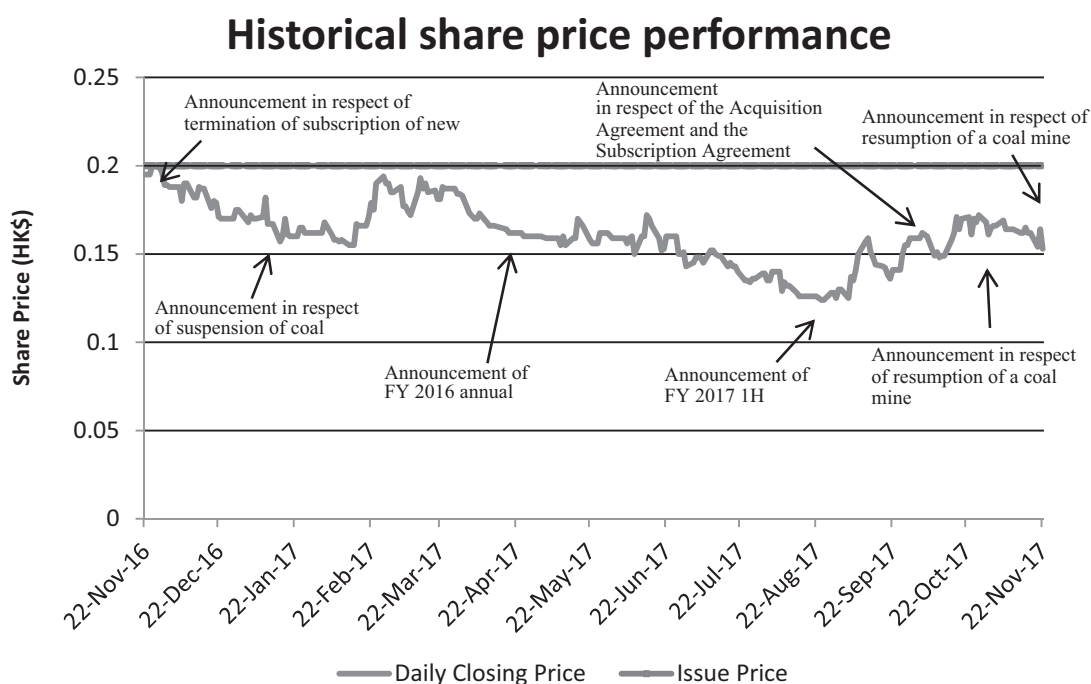
The Issue Price at HK\$0.2 per Subscription Share represents:

- (a) a premium of approximately 34.23% over the closing price of HK\$0.1490 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 32.10% over the average closing price HK\$0.1514 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (c) a premium of approximately 29.28% over the average closing price HK\$0.1547 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (d) a premium of approximately 30.72% over the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 130.44% over the consolidated net asset value of the Company of approximately HK\$0.09 per Share as at 30 June 2017 (based on the unaudited consolidated net asset value of the Company as at 30 June 2017 as set out in the Company's interim report for the six months ended 30 June 2017 and the number of issued Shares as at the Latest Practicable Date).

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Comparison between the Issue Price and the historical closing prices of the Shares

Solely for illustration purposes, we consider that it is relevant to compare the closing price level of the Shares traded on the Stock Exchange during the 12-month period from 22 November 2016 and up to and including the Latest Practicable Date (the “**Review Period**”) against the Issue Price. We consider that the Review Period represents a reasonable timeframe that covers the recent trend of the Share price reflecting the Company’s fundamental financial performance and the business cycle in the corresponding period to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Issue Price. The historical performance of the Share price for the Review Period is as follow:



Source: Stock Exchange (www.hkex.com.hk)

LETTER FROM OCTAL CAPITAL

As shown in the chart above, the average closing price was approximately HK\$0.161 per Share. The daily closing price ranged from HK\$0.124 per Share to HK\$0.200 per Share during the Review Period. The lowest closing price was HK\$0.124, being recorded on 24 and 25 August 2017. The highest closing price was HK\$0.2, being recorded on 25 November 2016. The Issue Price of HK\$0.2 is within the range of the closing prices of the Shares during the Review Period, and represents a premium of approximately 61.29% over the lowest closing price of HK\$0.124 and to the same as the highest closing price of HK\$0.2. We also note that the Issue Price is higher than most of the closing prices during the Review Period (247) trading days out of 248 trading days).

Comparison of recent issues of subscription and/or placing shares by other listed issuers

To further assess the fairness and reasonableness of the Issue Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription and/or placing of new shares by using specific mandate during the last six months commencing from 13 April 2017 to the Last Trading Day as we consider that six months are appropriate benchmarks to reflect the recent market sentiment and the risk appetite of the investment community and the adopted time span can cover sufficient number of comparable subscriptions to reflect the prevailing market trends.

Based on the above said criteria, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 43 comparable transactions which involve subscription of new shares and/or placing of new shares using specific mandate (the "Comparables"). It should be noted that the Comparables may have different principal businesses, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparables can provide a general understanding of the pricing for this type of transaction in Hong Kong under current market environment, we consider them to be relevant in assessing the fairness and reasonableness of the Issue Price. For each of the 43 Comparables identified, we compared the premium/(discount) of its issue price/placing price over/(to) (a) the respective closing price on the last trading day; and (b) the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement summarized in the following table:

LETTER FROM OCTAL CAPITAL

Date of announcement	Stock code	Listed issuer	Subscription/ Placing	Subscription price/Placing Price (HK\$)	Premium/ (discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/to the closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement
19/4/2017	686	United Photovoltaics Group Limited	Subscription	0.95	(12.04%)	(.09%)
20/4/2017	546	Fufeng Group Limited	Subscription	5.55	(7.50%)	(9.05%)
24/4/2017	8071	China Netcom Technology Holdings Limited	Subscription	0.08	(40.58%)	(38.35%)
24/4/2017	2268	Youyuan International Holdings Limited	Subscription	2.30	15.00%	13.64%
2/5/2017	6818	China Everbright Bank Company Limited	Subscription	5.33	45.98%	46.22%
8/5/2017	1831	Shifang Holding Limited	Subscription	0.25	(10.71%)	(13.49%)
10/5/2017	6198	Qingdao Port International Co., Ltd.	Placing	4.32	(1.37%)	(.14%)
12/5/2017	65	Grand Ocean Advanced Resources Company Limited	Placing	0.11	(63.30%)	(62.84%)
17/5/2017	605	China Financial Services Holdings Limited	Subscription	0.68	(6.85%)	(6.85%)
19/5/2017	2280	HC International, INC.	Subscription	7.00	4.48%	1.36%
25/5/2017	607	Fullshare Holdings Limited	Subscription	2.96	(3.53%)	.65%
5/6/2017	2123	Golden Shield Holdings (Industrial) Limited (In Compulsory Liquidation in Hong Kong)	Subscription	0.56	(75.00%)	(80.82%)
5/6/2017	2012	Sunshine Oilsands Ltd.	Subscription	0.23	(17.89%)	(18.75%)
15/6/2017	381	Kiu Hung International Holdings Limited	Subscription	0.10	(5.66%)	(2.34%)
17/6/2017	1673	Huazhang Technology Holding Limited	Subscription	2.55	(30.90%)	(28.90%)
21/6/2017	508	Dingyi Group Investment Limited	Subscription	0.80	(38.46%)	(38.46%)

LETTER FROM OCTAL CAPITAL

Date of announcement	Stock code	Listed issuer	Subscription/ Placing	Subscription price/Placing Price (HK\$)	Premium/ (discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/to the closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement
29/6/2017	1543	Guangdong Join-Share Financing Guarantee Investment Co., Ltd	Subscription	1.43	5.00%	4.23%
30/6/2017	2309	Birmingham Sport Holdings Limited	Subscription	0.15	(15.70%)	(18.50%)
7/7/2017	8301	Shenzhen Mingwah Aohan High Technology Corporation Limited	Subscription	0.60	(16.67%)	(16.90%)
7/7/2017	860	O Luxe Holdings Limited	Subscription	0.82	(19.60%)	(12.80%)
7/7/2017	8301	Shenzhen Mingwah Aohan High Technology Corporation Limited	Subscription	0.60	(16.67%)	(16.90%)
14/7/2017	673	China Health Group Limited	Subscription	0.20	23.50%	18.60%
18/7/2017	1543	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	Subscription	1.42	2.90%	3.35%
25/7/2017	1803	Beijing Sports and Entertainment Industry Group Limited	Subscription	1.88	(21.01%)	(20.34%)
1/8/2017	269	China Resources and Transportation Group Limited	Placing	0.23	(19.30%)	(9.45%)
7/8/2017	1007	Daqing Dairy Holdings Limited	Placing	0.10	96.95%	97.25%
8/8/2017	1355	Legend Strategy International Holding Group Company Limited	Subscription	1.00	(20.00%)	(19.48%)
8/8/2017	1007	Daqing Dairy Holdings Limited	Subscription	0.10	(96.95%)	(97.36%)
15/8/2017	1378	China Hongqiao Group Limited	Placing	6.80	(3.55%)	(4.68%)
17/8/2017	376	Yunfeng Financial Group Limited	Subscription	6.50	3.50%	13.12%
17/8/2017	3639	Yida China Holdings Limited	Subscription	2.30	1.77%	1.77%
22/8/2017	762	China Unicom (Hong Kong) Limited	Subscription	13.24	7.12%	11.49%

LETTER FROM OCTAL CAPITAL

Comparison with comparable companies in coal business industry

To further assess the fairness and reasonableness of the Issue Price, Price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”) analysis are commonly used benchmarks in valuing a company. The P/E Ratio and P/B Ratio are calculated based on audited profits attributable to owners and the net asset values attributable to the owners of the company from the most recent financial year. However, given that the Company was loss making for the year ended 31 December 2016 and the six months 30 June 2017, it is impracticable to use P/E Ratio to value the Company with other companies engaged in similar industry and therefore we have attempted to conduct an analysis with reference to the P/B Ratio. Hence, we look into the P/B Ratio of the Group, where the P/B Ratio implied by the Issue Price to the unaudited net asset value per Share as at 30 June 2017 was approximately 2.30 times. We compare the implied P/B ratio of the Group calculated by dividing the Issue Price per Share by the net asset value per Share as at 30 June 2017 (the “**Implied P/B Ratio**”) with companies that are comparable to the Group in the same industry which are selected with the criteria, including (i) the companies are principally engaged in similar businesses as that of the Group, i.e. mainly engaging in coal production and trading business; (ii) the companies have retained net assets attributable to shareholders for the latest published financial result; (iii) the companies have the similar market capitalization, i.e. under HK\$500 million market capitalization; and (iv) the Companies are listed on the Stock Exchange. Based on the above criteria, under our best effort basis, we have identified an exhaustive list of 4 comparable companies (the “**Comparable Companies**”) which we considered are fair and representative samples. Details of the Comparable Companies are summarised in the following table

Company Name	Stock Code	Main Business	Stock Market	P/B ^{Note 1}
Kaisun Energy Group Ltd.	8203	Mining and metallurgical machineries production; provision of supply chain management for mineral business; exploitation and production of coal; and securities investment.	Stock Exchange	0.48
Nan Nan Resources Enterprise Ltd.	1229	Mining and sales of coal.	Stock Exchange	2.62
SouthGobi Resources Ltd.	1878	Coal mining, development and exploration.	Stock Exchange	1.65 ^{Note 2}
Silk Road Energy Services Group Ltd.	8250	Provision of coal mining services; provision for heating supply services; trading of other mineral product; provision of money lending services and investment holding.	Stock Exchange	0.86
			Maximum	2.62
			Minimum	0.48
			Average	1.40
			Median	1.26
The Implied P/B Ratio				2.30

LETTER FROM OCTAL CAPITAL

Notes:

1. The P/B ratios of the Comparable Companies are calculated on the basis of their respective market capitalisation and net asset values attributable to shareholders as disclosed in the latest financial information published before the Last Trading Day.
2. In calculating the net asset of SouthGobi Resources Ltd., the exchange rate of USD1 to HK\$7.81 as at the Latest Practicable Date was used.

As shown in the above table, we note that the P/B ratios of the Comparable Companies range from approximately 0.48 times to approximately 2.62 times with an average of approximately 1.40 times and the media of the comparable P/B ratios is 1.26. The Implied P/B ratio of approximately 2.30 falls within the above range and is above the average P/B of the Comparable Companies.

Having considered that (i) the issue price of the Subscription Agreement A equals to the issue price set out in the Subscription Agreement B and the Acquisition Agreement; (ii) the Issue Price of HK\$0.2 is within the range of the closing prices of the Shares during the Review Period, and the Issue Price of HK\$0.2 represents a premium of approximately 61.29% over the lowest closing price of HK\$0.124 and represents the same as the highest closing price of HK\$0.2; (iii) the Issue Price represents the premium of the Issue Price to the closing price on the Last Trading day and the average closing prices of the last five consecutive trading days of approximately 34.23% and 32.10% respectively, both of which are more favourable to those of the Comparables; and (iv) the Implied P/B ratio of approximately 2.30 times falls within the range and above to the average P/B of the Comparable Companies, we are of the view that the Issue Price is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

3. Potential dilution effect on the shareholding of the Group

As set out in the table showing the shareholdings changes of the Group under the section headed “Changes in the shareholding structure of the Company” as contained in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 61.67%. The Subscription Shares A to be subscribed by Retop represent approximately 14.03% of the existing issued share capital of the Group as at the Latest Practicable Date and 9.61% of the issued share capital of the Group as enlarged by the issue of the Subscription Shares and the Consideration Shares. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 61.67% to 54.09% upon the completion of the Subscription Agreement A. After considering the dilution impact of both the Subscriptions and the Acquisition, the shareholdings of the existing public shareholders will be diluted to approximately 42.26% upon the Subscription Completion and the Acquisition Completion.

LETTER FROM OCTAL CAPITAL

Having considered the reasons stated in details in the section headed “Reasons for entering into the Subscription Agreement A” above, in particular, the following:

- (a) the Subscription Shares A by Retop will allow the Group to contribute funding to the general working capital and support the business of the existing coal related business and the new building material business;
- (b) provide immediate financial support from the Subscriptions and help to ease the present net current liabilities status for existing businesses as well as providing additional liquidity for the new business to be acquired;
- (c) additional working capital of the Subscriptions can provide flexibility to utilize the working capital of the Group;
- (d) provide working capital for the operation of the coal mines after resumption; and
- (e) the terms of the Subscription Agreement A and the Issue Price are fair and reasonable,

which outweigh the dilution impact to the Independent Shareholders, we are of the opinion that the dilution effect to the Independent Shareholders as a result of the Subscriptions is acceptable.

4. Financial effects of the entering into the Acquisition and the Subscriptions

Given that the Subscription Agreement A is inter-conditional upon the Acquisition Agreement and the Subscription Agreements (except Subscription Agreement A), the aggregate financial effects of the Acquisition and the Subscriptions are as follows:

- (i) Cashflow

According to the 2017 Interim Report, the Group had cash and cash equivalents of approximately HK\$131.8 million as at 30 June 2017. Upon completion of the Acquisition Completion and Subscription Completion, the cash position of the Group will be improved as the cash and cash equivalents will increase by the net proceeds generated by the entering into the Subscriptions, while the Acquisition will be satisfied by the Consideration Shares and hence there will be no material negative impact on the cashflow of the Group. Accordingly, the cash position, net current assets and current ratio of the Group are expected to be improved upon the Acquisition Completion and the Subscription Completion.

LETTER FROM OCTAL CAPITAL

(ii) Earnings

Save for the expenses in relation to the Acquisition and the Subscriptions, there will not be any immediate material impact on the earnings of the Group in this regard. Hence, immediately upon the Acquisition Completion and the Subscription Completion, there will be no immediate effect on the earnings of the Group.

(iii) Net Asset Value

According to the 2017 Interim Report, the net asset value of the Group as at 30 June 2017 was approximately HK\$61.9 million. Upon Acquisition Completion and Subscription Completion, the net asset value of the Group will be increased resulting from the inclusion of the Target Group's assets and the net proceeds generated by the Subscriptions.

(iv) Gearing

According to the 2017 Interim Report, the gearing ratio of the Group as at 30 June 2017 was approximately 925.3%. Upon the Acquisition Completion and the Subscription Completion, assuming the total debt of the Group would remain the same, while the total assets of the Company will be increased by the inclusion of the Target Group's assets and the net proceeds generated by the Subscriptions, the gearing ratio of the Group will decrease accordingly.

Based on the above, the Acquisition and the Subscriptions will have an overall positive effect on the financial position of the Group in terms of cashflow, net asset value, and gearing ratio. Meanwhile, the Acquisition and the Subscriptions will not have any adverse and material impact on earnings of the Group. On such basis, we are of the view that the entering into the Subscription Agreement A is in the interests of the Group and the Shareholders as a whole.

Recommendation

Taking into consideration the abovementioned principal factors and reasons, in particular, the following:

- (i) the Company's financial performance deteriorated and incurred loss attributable to the owners of the Group for the year ended 31 December 2016 and for the six months ended 30 June 2017, we are of the view that the entering into the Subscription Agreement A can improve the financial position of the Group by enhancing its working capital level;
- (ii) the Issue Price is above the closing price of the Shares for majority of the Review Period and the Implied P/B ratio of approximately 2.30 falls within the range and is above the average P/B of the Comparable Companies;

LETTER FROM OCTAL CAPITAL

- (iii) the Subscriptions enable the Company to raise additional equity funding to enhance its working capital which in turn will improve its financial position; and
- (iv) the reasons for the Subscriptions outweigh the dilution impact to the Independent Shareholders.

Based on the above, we consider that the terms of the Subscription Agreement A are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution(s) to approve the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

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 Group. 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 EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which 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 or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows (Note 1):

<u>Name of Directors</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Number of underlying shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Dong Cunling	Personal interest	540,000	–	0.08%
Mr. Yang Hua	Personal interest	10,089,196	–	1.42%

Note:

- Save as disclosed above, none of the Directors, chief executives of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.*

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors, as at Latest Practicable Date, according to the register of interest kept by the Company under section 336 of the SFO, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name of shareholders</u>	<u>Capacity and nature of interest</u>	<u>Number of shares interested (Note (i))</u>	<u>Approximate percentage of issued share capital of the Company</u>
Retop	Beneficial owner	241,400,000 (Note (ii))	33.87%
Vestfoco International	Interest in controlled corporation	241,400,000 (Note (ii))	33.87%
Mr. Bao	Beneficial owner	675,000	0.09%
	Interest in controlled corporation	241,400,000 (Note (ii))	33.87%
Mr. Li Yupeng	Beneficial owner	71,000,000 (Note (iii))	9.96%
Asia Mark	Beneficial owner	49,380,000 (Note (iv))	6.93%
Mr. Kwong Ying Hou	Interest in controlled corporation	49,380,000 (Note (iv))	6.93%
Mr. Li	Beneficial owner	100,000,000 (Note (v))	14.03%
The Seller	Beneficial owner	127,500,000 (Note (vi))	17.89%
Mr. Zhang	Interest in controlled corporation	127,500,000 (Note (vi))	17.89%

Notes:

- (i) All the above interests in the Shares were long positions.
- (ii) As at the Latest Practicable Date, Retop and Mr. Bao beneficially own 141,400,000 Shares and 675,000 Shares respectively. Retop is beneficially and wholly-owned by Vestfoco International of which Mr. Bao is the sole beneficial owner. Accordingly, Vestfoco International and Mr. Bao are deemed to be interested in the Shares of the Company held by Retop. The number of shares interested has taken into account the Shares to be issued pursuant to the Subscription Agreement A.
- (iii) Mr. Li Yupeng is an independent Shareholder who is not connected to the Company.
- (iv) As at the Latest Practicable Date, Asia Mark is beneficially and wholly-owned by Mr. Kwong Ying Hou. He is an independent shareholder who is not connected to the Company. Accordingly, Mr. Kwong Ying Hou is deemed to be interested in the 49,380,000 Shares held by Asia Mark.

- (v) *The number of shares interested has taken into account the Shares to be issued pursuant to the Subscription Agreement B.*
- (vi) *As at the Latest Practicable Date, the Seller is beneficially and wholly-owned by Mr. Zhang. He is an independent shareholder who is not connected to the Company. Accordingly, Mr. Zhang is deemed to be interested in the 127,500,000 Shares held by the Seller. The number of shares interested has taken into account the Shares to be issued pursuant to the Acquisition Agreement.*

Save as disclosed above, to the best knowledge of the Directors, there is no person known to the Directors, who as at Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

7. MATERIAL ADVERSE CHANGE

Save as disclosed in the annual report of the Group for the year ended 31 December 2016, the Directors confirmed that as at the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the Company or any of its subsidiaries within two years preceding the Latest Practicable Date and are or may be material:

- (a) the mutual guarantees agreement dated 13 April 2017 entered into between Henan Jinfeng Coal Industrial Group Company Limited* (河南金豐煤業集團有限公司) and Zhengzhou Jiuda Technology Company Limited* (鄭州久達科技有限公司) in relation to the provision of mutual guarantee to each;
- (b) the subscription agreement dated 10 October 2016 entered into among the Company as the issuer and selected employees of the Group as the subscribers (including Mr. Wan Tiehe, Mr. Ding Zhenqian, Mr. Yang Guantao, Ms. Liang Yurui, Mr. Liu Dexi and Ms. Wu Shuling) in relation to the subscription of an aggregate of 141,000,000 Shares of the Company. The subscription agreements were lapsed on 30 November 2016;
- (c) the Acquisition Agreement;
- (d) the Subscription Agreement A; and
- (e) the Subscription Agreement B.

10. EXPERT AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which are contained in this circular:

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

As at the Latest Practicable Date, Octal Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Group were made up (i.e. 31 December 2016), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they are included.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Li Chun On. Mr. Li Chun On is an associate member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of The Association of Chartered Certified Accountants, United Kingdom. He graduated from the Hong Kong Polytechnic University and has more than 20 years of experience in accounting and corporate financial management.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The principal place of business of the Company in Hong Kong is at Unit 3204B, 32/F., Tower I, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 10:00 a.m. to 4:00 p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the office of the Company at Unit 3204B, 32/F., Tower I, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and Bye-laws of the Company;

- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 7 to 27 of this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 28 to 29 of this circular;
- (d) the written consent given by and the letter of advice from Octal Capital referred to in the section headed “Expert and Consent” in this appendix;
- (e) the material contracts referred to in the paragraph headed “9. Material Contracts” in this appendix;
- (f) the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 and the interim report for the six months ended 30 June 2017; and
- (g) this circular.

SGM NOTICE



Rosan Resources Holdings Limited

融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 578)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of the shareholders of Rosan Resources Holdings Limited (the “Company”) will be held at Room 4, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 14 December 2017 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- (1) the subscription agreement dated 13 October 2017 (the “**Subscription Agreement A**”), a copy of which is marked “A” and signed by the Chairman for the purpose of identification, entered into between the Company as issuer and Retop International Investment Limited as subscriber in relation to the allotment and issue of an aggregate of 100,000,000 new ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Subscription Shares A**”) credited as fully paid, at the issue price of HK\$0.20 per Subscription Share A for a consideration of HK\$20,000,000 and all transactions contemplated thereunder or in relation thereto be and are hereby approved, confirmed and/or ratified (as the case may be);
- (2) the allotment and issue of an aggregate of 127,500,000 new ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Consideration Shares**”) credited as fully paid, at the issue price of HK\$0.20 per Consideration Share to satisfy the consideration of HK\$25,500,000 pursuant to the acquisition agreement dated 13 October 2017 entered into between the Company as purchaser and Minan Holding Limited as vendor in relation to the sale and purchase of the entire issued share capital of Goal Getter Ventures Limited (the “**Acquisition Agreement**”), be and are hereby approved;

SGM NOTICE

- (3) the allotment and issue of an aggregate of 100,000,000 new ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Subscription Shares B**”) credited at fully paid, at the issue price of HK\$0.20 per Subscription Share B for a consideration of HK\$20,000,000 under the subscription agreement dated 13 October 2017 entered into between the Company as issuer and Mr. Li Xiangfei as subscriber (the “**Subscription Agreement B**”), be and are hereby approved;

(collectively, the Consideration Shares, the Subscription Shares A and the Subscription Shares B are referred to as “**New Shares**”)

- (4) the directors of the Company (the “**Directors**”) be and are hereby generally and specifically authorised to allot and issue such number of New Shares (the “**Specific Mandate**”) subject to and upon (i) the terms and conditions as set out in the Acquisition Agreement, the Subscription Agreement A and the Subscription Agreement B, respectively and (ii) the approval of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, the permission to deal in, the New Shares. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution. The Specific Mandate will expire on 5 March 2018;
- (5) the grant of the Specific Mandate to authorize the Directors to allot and issue the New Shares be and is hereby approved, confirmed and/or ratified (as the case may be); and
- (6) any one of the Directors be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for completion of the Acquisition Agreement, the Subscription Agreement A and the Subscription Agreement B, including, without limitation, the allotment and issue of the New Shares and to agree to such variation, amendment or waiver in relation thereto which are, in the opinion of the Directors, in the interest of the Company.”

By order of the Board
Rosan Resources Holdings Limited
Dong Cunling
Chairman

Hong Kong, 28 November 2017

SGM NOTICE

Principal place of business:

Unit 3204B, 32/F.
Tower I
Admiralty Centre
No. 18 Harcourt Road
Admiralty
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of share(s) of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so presents whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all of the above resolutions will be voted by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Chen Xu, Mr. Dong Cunling, Mr. Wu Jiahong, Mr. Yang Hua and Mr. Zhou Guangwen; the non-executive director of the Company is Mr. Li Chunyan; the independent non-executive directors of the Company are Dr. Chen Renbao, Mr. Jiang Xiaohui and Mr. Ma Yueyong.