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MUNSUN CAPITAL GROUP LIMITED

麥盛資本集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 1194)

**(I) NOTICE TO BONDHOLDERS AND CONSENT SOLICITATION
IN RELATION TO**

**THE PROPOSED AMENDMENT OF
TERMS AND CONDITIONS AND TRUST DEED OF
HK\$1,028,000,000 7.25% CONVERTIBLE BONDS DUE 2018
(ISIN: XS0880097620);**

**(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND**

**(III) POTENTIAL CAPITAL REORGANISATION INVOLVING SHARE
CONSOLIDATION**

Reference is made to the Bond Announcement, the 2016 Consent Solicitation Announcements and the 2018 Consent Solicitation Announcements. For further details of the Bonds, please refer to the Bond Announcement. For further details of

the 2016 Consent Solicitation and the 2018 Consent Solicitation and the respective proposals for the then amendments to the Terms and Conditions and the Trust Deed, please refer to the 2016 Consent Solicitation Announcements and the 2018 Consent Solicitation Announcements, respectively.

BACKGROUND

The Company issued the Bonds on 4 February 2013 and effected the amendments to the Terms and Conditions pursuant to the 2016 Consent Solicitation and the 2018 Consent Solicitation as set out in the First Supplemental Trust Deed and the Second Supplemental Trust Deed respectively. Pursuant to the Terms and Conditions, the Bonds will mature and be due and payable in full (together with accrued and unpaid interest thereon) on 4 August 2019 and the total sum for such payment would amount to approximately HK\$329 million. In view of the tight cash and bank balances of the Company as shown in the Company's latest annual report for the financial year ended 31 December 2018, it is expected that it would be difficult for the Company to fulfill its obligations in full on 4 August 2019 and the Company proposes to further amend the Terms and Conditions, which include:

- (i) extending the maturity of the Bonds to 30 September 2021;
- (ii) amending the interest rate to 8.0% per annum and the interest payment date to 31 March and 30 September each year;
- (iii) amending the Conversion Price to HK\$0.088;
- (iv) addition of a downward-only reset to the Conversion Price; and
- (v) addition of the partial redemption right which will be exercisable within the stipulated time periods at the option of the Bondholder.

The New Proposals are designed to assist the Company in managing cash flows and as such the Company is inviting Bondholders to consider modifying the Terms and Conditions.

In the event that (i) the New Proposals are not implemented and/or the Grace Period not granted; and (ii) the Company fails to pay the principal of or any premium or interest on any of the Bonds when due on 4 August 2019, this may constitute an event of default under the Bonds, which may in turn trigger the cross-default of other bank and/or other borrowings of the Group.

Apart from the New Proposals, the Company is also exploring and considering other alternative(s) to ensure that its obligations under the Bonds can be fulfilled to the satisfaction of the Bondholders, such as other debt or equity financing, subject to the financial performance and conditions of the Company and the then market conditions. However, as at the date of this announcement, no concrete plan has been concluded.

BONDHOLDERS' APPROVAL AND SGM

The effectiveness of the New Proposals shall be subject to, among other things, (i) the approval of the Bondholders of the New Proposals by way of an extraordinary resolution, which will be sought at the Meeting of Bondholders; and (ii) the approval of the Shareholders of the New Proposals, the grant of the Specific Mandate to the Directors and the Proposed Increase in Authorised Share Capital by way of ordinary resolutions, which will be sought at the SGM. Please refer to the section headed "CONDITIONS PRECEDENT" below for further details on the conditions precedent to which the effectiveness of the New Proposals is subject.

The Company will issue a circular to the Shareholders to set out further details of the New Proposals, the grant of the Grace Period, the Specific Mandate and the Proposed Increase in Authorised Share Capital so as to enable them to make an informed decision on whether to vote for or against the resolutions at the SGM.

PRINCIPAL TERMS OF THE NEW PROPOSALS

The principal terms of the New Proposals are summarised as follows:

- (i) extension of the maturity of the Bonds whereby the Company will redeem each Bond at its outstanding principal amount together with accrued and unpaid interest thereon on 30 September 2021;
- (ii) reduction of the interest rate of the Bonds to 8.0% per annum which shall be payable (I) for the period from and including 4 August 2019 to but excluding 31 March 2020, in arrear on 31 March 2020; and (II) thereafter semi-annually in arrear on 31 March and 30 September each year;
- (iii) reduction in the Conversion Price to HK\$0.088;
- (iv) addition of the downward-only reset to the Conversion Price, whereby on each of 31 March 2020, 30 September 2020 and 31 March 2021, if the Volume Weighted Average Price during a period of 20 consecutive Trading Days immediately prior to such date is less than the Conversion Price prevailing on the last day of such period, the Conversion Price shall be reset to the Average Market Price, subject to a

minimum reset price equal to HK\$0.071 (subject to adjustments) (being the reset floor price of the Conversion Price as described in the sub-section headed “Conversion Price Reset” under the section headed “PRINCIPAL TERMS OF THE BONDS AFTER NEW PROPOSED AMENDMENTS TAKE EFFECT” below); and

- (v) addition of the partial redemption right which apply to all Bondholders whereby the Company will, at the option of the Bondholder, redeem such Bondholder’s Bonds on each of 31 March 2020, 30 September 2020, and 31 March 2021 at the principal amount which represents not more than 7.5%, 7.5% and 15%, respectively, of the then outstanding principal amount of the Bonds held by such Bondholder (each a “**Relevant Principal Amount**”) together with accrued but unpaid interest thereon, provided that the redemption amount representing the Relevant Principal Amount payable by the Company on each Put Option Date to each such Bondholder must be in an authorised denomination (i.e. HK\$1,000,000 in nominal amount each of the Bonds or integral multiples thereof).

The Company will consider to settle the Relevant Principal Amount and the accrued but unpaid interest therein on each Put Option Date by way of the Group’s cash resources, debt financing and/or equity financing, subject to the then financial performance and position of the Company and market conditions.

PRINCIPAL TERMS OF THE BONDS AFTER NEW PROPOSED AMENDMENTS TAKE EFFECT

The principal terms of the Amended Terms and Conditions are summarised as follows:

Company:	Munsun Capital Group Limited
Bonds:	HK\$1,028,000,000 7.25% convertible bonds due 2018, of which an aggregate principal amount of HK\$311,916,064 remain outstanding as at the date of this announcement
Maturity Date:	30 September 2021
Form and Denomination of the Bonds:	The Bonds are issued in registered form and in the denomination of HK\$1,000,000 in nominal amount each and integral multiples thereof

Interest:

The Bonds bear interest (a) from and including 4 February 2013 to but excluding 4 February 2018 at the rate of 7.25% per annum; (b) from and including 4 February 2018 to but excluding 4 August 2019 at the rate of 8.50% per annum (provided that if the Company does not exercise the redemption right at the option of the Company within a stipulated time period pursuant to the Terms and Conditions, the interest rate shall increase to 11.0% per annum with effect from and including 4 November 2018 to but excluding 4 August 2019); and (c) thereafter at the rate of 8.0% per annum (each, the “**Applicable Interest**”). The Applicable Interest shall be payable as follows:

- (i) the Applicable Interest as described (a) to (b) above shall be payable semi-annually in arrear on 4 February and 4 August in each year. For the avoidance of doubt, the last interest payment date in relation to such Applicable Interest shall be on 4 August 2019; and
- (ii) the Applicable Interest as described in (c) above shall be payable (I) for the period from and including 4 August 2019 to but excluding 31 March 2020, in arrear on 31 March 2020; and (II) thereafter semi-annually in arrear on 31 March and 30 September each year.

For the avoidance of doubt, the aggregate amount of interest payable for the period from and including 4 August 2019 to but excluding 31 March 2020 shall be HK\$28,619.48 per HK\$1,000,000 nominal amount of the Bonds.

Negative Pledge:	So long as any Bond remains outstanding, the Company will not, and will ensure that none of its subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (a) any Relevant Indebtedness (other than the Permitted Indebtedness), or (b) any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security, as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an extraordinary resolution of the Bondholders.
Status of the Bonds:	The Bonds shall constitute direct, unconditional, unsubordinated and (subject to the Negative Pledge described above) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Conversion Right and Period:	Subject to and upon compliance with the Terms and Conditions of the Bonds, the conversion right in respect of a Bond may be exercised, at the option of the Bondholder, at any time on or after 5 November 2018 up to the close of business on the date falling ten days prior to the Maturity Date (both days inclusive) or, if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business (at the place where the certificate evidencing the Bonds are deposited for conversion) on a date no later than seven days prior to the date fixed for redemption thereof or, if notice requiring redemption has been given by the holder of such Bond pursuant to the Terms and Conditions of the Bonds, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.
Conversion Price:	HK\$0.088 per Share, subject to adjustments

Conversion Price
Adjustments:

The Conversion Price will be subject to adjustment for, among other things, consolidation, subdivision or reclassification; capitalisation of profits or reserves; capital distributions; rights issues of Shares or options over Shares or other securities and issuance of options, issue at less than the Current Market Price (as defined in the Trust Deed), modification of conversion rights, other offers to Shareholders and other standard dilutive events. The Conversion Price is also subject to adjustment upon a change of Control in the Company. The Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any adjustment unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares.

Conversion Price Reset:

- (i) If, on any Reset Reference Date, the Volume Weighted Average Price of the Shares for each Trading Day during the period of 20 consecutive Trading Days immediately prior to the Reset Reference Date is less than the prevailing Conversion Price on the last day of such period, the Conversion Price shall be adjusted on the business day immediately following the last day of such period (a “**Reset Date**”) in accordance with the following formula and shall be rounded down, if necessary, to 4 decimal places in accordance with the Amended Terms and Conditions:

Adjusted Conversion Price = Average Market Price

- (ii) Any adjustment to the Conversion Price in (i) above shall be made, provided that:
 - (a) the adjusted Conversion Price following an adjustment shall not be less than HK\$0.071, subject to adjustment under sub-paragraph (iii) below (the “**Benchmark Price**”) (after taking into account any adjustments (as described in “Conversion Price Adjustments” above) which may have occurred prior to the Reset Date);

- (b) the adjustments set out in “Conversion Price Adjustment” as described above shall apply, *mutatis mutandis*, to the Conversion Price adjusted under the sub-paragraph (i) above (including, for the avoidance of doubt, where the Conversion Price adjusted under sub-paragraph (i) above equals to the Benchmark Price) to ensure that appropriate adjustments shall be made to any Conversion Price to reflect any events set out in Conversion Price Adjustment as described above;
 - (c) the Conversion Price or the Benchmark Price shall not be reduced below the nominal value of the Shares unless such reduction is, and the conversion of the Bonds into Shares at the adjusted Conversion Price which is below the nominal value of the Shares is, permitted by applicable law; and
 - (d) the Conversion Price shall only be adjusted downwards under sub-paragraph (i) above.
- (iii) The Benchmark Price shall be subject to adjustment if and whenever there shall be an alternation to the nominal value of the Shares as a result of consolidation, subdivision or reclassification.

Any such adjustments shall become effective as of the Reset Date and shall be notified by the Company to the Bondholders as soon as practicable thereafter. The Conversion Price may be reset on more than one occasion pursuant to this “Conversion Price Reset”.

Ranking of Conversion Shares:

The Conversion Shares, when issued upon conversion of the Bonds, will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the date when the holder of record of the number of Shares issuable upon conversion is registered as such in the register of members of the Company.

Final Redemption: Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the Bonds, the Company will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date.

Redemption for
Taxation Reasons: The Bonds may be redeemed, at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders at their outstanding principal amount as at such date together with accrued but unpaid interest to such date, if (a) the Company satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 January 2013, and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay additional tax amounts were a payment in respect of the Bonds then due.

If the Company exercises its tax redemption right, each Bondholder shall have the right to elect that his Bond(s) shall not be redeemed. Upon a Bondholder electing not to have his Bond(s) redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding of any tax required to be deducted or withheld.

Redemption at the
option of the
Bondholders:

The Company will, at the option of the Bondholder and in such principal amount of the Bonds as shall be specified by such Bondholder which complies with sub-paragraphs (i), (ii) or (iii), as the case may be, described below, redeem such Bondholder's Bonds on each of 31 March 2020, 30 September 2020, and 31 March 2021 (each a "**Put Option Date**") as follows:

- (i) on 31 March 2020, at the principal amount which represents not more than 7.5% of the then outstanding principal amount of the Bonds held by such Bondholder;
- (ii) on 30 September 2020, at the principal amount which represents not more than 7.5% of the then outstanding principal amount of the Bonds held by such Bondholder; and
- (iii) on 31 March 2021, at the principal amount which represents not more than 15.0% of the then outstanding principal amount of the Bonds held by such Bondholder,

(each a "**Relevant Principal Amount**"), in each case at 100% of such Relevant Principal Amount together with accrued but unpaid interest thereon to the relevant Put Option Date, provided that the redemption amount representing the Relevant Principal Amount payable by the Company on each Put Option Date to each such holder of Bonds must be in an authorised denomination (ie. HK\$1,000,000 in nominal amount each of the Bonds or integral multiples thereof). For the avoidance of doubt, no Bondholder of any Bond shall be entitled to request for the redemption of, and the Company shall not be required to redeem, any Bond (or any interest accrued thereon) if the Relevant Principal Amount to be redeemed from such Bondholder is not in an authorised denomination (ie. HK\$1,000,000 in nominal amount each of the Bonds or integral multiples thereof). To exercise such option, the Bondholder must deposit at the specified office of the principal agent or any other paying agent a duly completed and signed put option

notice (the “**Put Option Notice**”), obtainable from the specified office of the principal agent or any other paying agent, together with the certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the relevant Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable and may not be withdrawn without the Company’s consent. The Company shall redeem the Bonds the subject of a Put Option Notice (subject to delivery of the relevant certificate as aforesaid) on the relevant Put Option Date. By tendering a Put Option Notice, the relevant Bondholder shall be deemed to have represented, warranted, undertaken and confirmed to each of the Company, the Trustee and each agent that (i) it is entitled to exercise the option provided in this condition; (ii) the information provided by it in such Put Option Notice is, and will continue to be, true, complete, accurate and not misleading as of the date of such Put Option Notice and through until the relevant Put Option Date; and (iii) the relevant Bondholder shall remain as the owner of Bonds in such principal amount prior to the redemption as disclosed in the Put Option Notice. Each Bondholder acknowledges that the Company will redeem the Bonds pursuant to this condition in reliance on the representations, warranties, undertakings and confirmations as set out above and in such Put Option Notice. Each of the Trustee and the agents may rely conclusively on the information provided in such Put Option Notice and shall not be responsible for making, verifying, confirming, monitoring or conducting any calculations with respect to any such information, and none of them shall be liable for any losses arising from not doing so.

Redemption at the option of the Bondholders upon delisting or change of Control:	When the Shares cease to be listed or admitted to trading or the Bondholders upon suspended for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange (or if the Shares are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in) or when there is a change of Control, the Bondholders will have the right at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds at their principal amount together with accrued but unpaid interest to such date.
Further Issues:	The Company may, from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds.

COMPARISON OF CONVERSION PRICE

The Conversion Price of HK\$0.088 represents:

- (1) a premium of approximately 8.64% over the closing price of the Shares of HK\$0.081 per Share as quoted on the Stock Exchange on the date of this announcement;
- (2) a premium of approximately 7.32% over the average closing price of HK\$0.082 per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the date of this announcement; and
- (3) a premium of approximately 6.28% over the average closing price of HK\$0.0828 per Share for the last ten consecutive trading days as quoted on the Stock Exchange up to and including the date of this announcement.

The Conversion Price was determined after arm's length negotiations between the Company and the Bondholders with reference to, among others, the then prevailing market price of the Shares. The closing price of the Shares during the period from 10 June 2019 to the date of this announcement (the "**Review Period**"), which covers an approximate one month period prior to the date of this announcement, ranged from the lowest closing price of approximately HK\$0.077 per Share recorded on 8 July 2019 to the highest closing price of approximately HK\$0.091 per Share

recorded on 20 June 2019 with an average closing price per Share of approximately HK\$0.085. The Conversion Price of HK\$0.088 represents a slight premium over the average closing price per Share during the Review Period. The Board considers that the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

Assuming all the Bonds are converted in full at the Conversion Price of HK\$0.088 per Share, the Bonds will be convertible into 3,544,500,727 Shares, representing approximately 60.73% of the issued share capital of the Company as at the date of this announcement and approximately 37.78% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

For additional information, as at the date of this announcement, the Conversion Price is HK\$0.8144. According to the Terms and Conditions, the Conversion Price will be required to be adjusted to HK\$0.7888 on the assumption that 1,167,380,000 new Shares under the Placing at the placing price of HK\$0.071 per new Share have been successfully and fully placed pursuant to the terms of the placing agreement dated 26 June 2019 entered into between the Company and the placing agents in relation to the Placing. The final adjusted Conversion Price will be subject to the completion of the Placing having taken place and the actual number of placing Shares placed by the placing agents.

EFFECT OF THE NEW PROPOSALS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change to the total issued share capital of the Company, set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately upon the conversion of the Bonds in full at the Conversion Price (assuming that the New Proposals have taken effect):

	As at the date of this Announcement		Immediately upon the conversion of the Bonds in full at the Conversion Price (assuming that the New Proposals have taken effect)	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of shares</i>	<i>Approximate (%)</i>
Liu Shiwei ¹	365,477,181	6.26	365,477,181	3.90
Grace Silver Limited ²	1,305,038,799	22.36	1,305,038,799	13.91
Beijing Easyhome Investment Holding Group Co., Ltd.* ³	643,061,087	11.02	643,061,087	6.85
Koo Yuen Kim ⁴	611,345,727	10.47	611,345,727	6.52
Bondholders	—	—	3,544,500,727	37.78
Other shareholders	<u>2,911,998,786</u>	<u>49.89</u>	<u>2,911,998,786</u>	<u>31.04</u>
Total	<u>5,836,921,580</u>	<u>100.00</u>	<u>9,381,422,307</u>	<u>100.00</u>

Note:

1. Mr. Liu Shiwei (“**Mr. Liu**”) holds 365,477,181 Shares by virtue of his personal interest. Ms. Guan Yuyan (“**Ms. Guan**”), being Mr. Liu’s spouse, is deemed to be interested in 1,305,038,799 Shares in the Company via her wholly-owned controlled corporation, namely Grace Silver Limited. Accordingly, Mr. Liu is also deemed to be interested in 1,305,038,799 Shares via Ms. Guan.
2. Grace Silver Limited is wholly and beneficially owned by Ms. Guan. Ms. Guan is deemed to be interested in 1,305,038,799 Shares via her wholly-owned controlled corporation, namely Grace Silver Limited. Mr. Liu, being the spouse of Ms. Guan, holds 365,477,181 Shares in the Company. Accordingly, Ms. Guan is also deemed to be interested in 365,477,181 Shares via Mr. Liu.
3. China Home Hong Kong Limited is wholly-owned by Beijing Easyhome Investment Holding Group Co., Ltd.* (北京居然之家投資控股集團有限公司). China Home Hong Kong Limited directly holds 643,061,087 Shares and Beijing Easyhome Investment Holding Group Co., Ltd.* is deemed to be interested in 643,061,087 Shares through its controlled interests in China Home Hong Kong Limited.

4. Mr. Koo Yuen Kim holds 595,258,945 Shares by virtue of his personal interest and is deemed to be interested in 16,086,782 Shares through his wholly-owned controlled corporation, namely Golden Eagle (Asia) Investment Limited.

** For identification purpose only.*

SPECIFIC MANDATE TO ISSUE NEW SHARES

At the SGM, the Company will seek the Specific Mandate from the Shareholders to allot and issue the Conversion Shares at the Conversion Price.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK\$10,000,000 divided into 10,000,000,000 Shares, of which 5,836,921,580 Shares are in issue as at the date of this announcement. Taking into account the number of Shares that may be allotted and issued pursuant to the Placing and upon the exercise of the Conversion Right (assuming that the New Proposals have been implemented), the Board proposes to increase in the authorised share capital of the Company from HK\$10,000,000 divided into 10,000,000,000 Shares to HK\$50,000,000 divided into 50,000,000,000 Shares by the creation of 40,000,000,000 additional authorised but unissued Shares to allow the Company greater flexibility to accommodate future expansion and growth of the Group. The Proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by the passing of an ordinary resolution at the SGM.

THE BONDHOLDERS' RESOLUTIONS

Notice will be given to the Bondholders on the date of this announcement pursuant to the Terms and Conditions for the purpose of considering, and if thought fit, passing the Bondholders' Resolutions.

The Bondholders' Resolutions passed at the Meeting of Bondholders duly convened and held (being a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Trust Deed by a majority consisting of at least 75% of the votes cast at such meeting) will be binding on all Bondholders, whether or not they have exercised their right to vote in relation to the Bondholders' Resolutions, including those Bondholders who do not consent to the Bondholders' Resolutions.

The results of the notice of the Meeting of Bondholders will be published on the websites of (1) the Company at <http://cpm.etnet.com.hk>, (2) the SGX-ST at <http://www.sgx.com>, and (3) Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>.

Grant of the Grace Period by the Bondholders

The Company may need more time to obtain the approvals of the Shareholders by way of ordinary resolutions with respect to the New Proposals at the SGM (the “**Shareholders’ Resolutions**”) and the Listing Approval. Accordingly, the Company is seeking the consent of the Bondholders by way of an extraordinary resolution to grant the Grace Period with respect to the Company’s obligation under the Terms and Conditions of the Bonds to redeem the Bonds at its outstanding principal amount together with accrued and unpaid interest thereon; such grace period will commence from (and including) 4 August 2019 to (and including) the earlier of (i) the date on which both the Shareholders’ Resolutions are passed and the Listing Approval is obtained; and (ii) 4 September 2019 (the “**Grace Period**”). The grant of the Grace Period is not subject to the Conditions Precedent and will become effective from 4 August 2019 once the Bondholders’ Resolution in relation to the grant of the Grace Period is passed.

Subject to the grant of the Grace Period having been approved by the Bondholders’ Resolution, the Bondholders are entitled to exercise the Conversion Right in respect of the Bonds during the Grace Period in accordance with the Terms and Conditions.

If passed, the Bondholders’ Resolutions will be binding upon all Bondholders, whether or not they have exercised their right to vote in relation to the Bondholders’ Resolutions and subject to, with respect to the New Proposals only, the Conditions Precedent.

CONDITIONS PRECEDENT

The New Proposals will take effect subject to the following Conditions Precedent having been fulfilled:

- (i) the passing of the extraordinary resolution of the Bondholders at the Meeting of Bondholders approving the New Proposals;
- (ii) the passing of the ordinary resolutions of the Shareholders at the SGM approving the New Proposals, the grant of the Specific Mandate and the Proposed Increase in Authorised Share Capital;
- (iii) the Listing Committee of the Stock Exchange having granted the Listing Approval; and
- (iv) save for the Placing and/or such other issue of new Shares by the Company under general mandate, no events having occurred between the date of this announcement and the Effective Date which would require an adjustment to the Conversion Price in accordance with the Terms and Conditions.

Therefore:

- (a) if the above conditions have been fulfilled, the Company will execute the Third Supplemental Trust Deed as soon as practicable, following which the amendments contemplated by the New Proposals will become effective; and
- (b) if any of the above conditions has not been fulfilled, the Company will not execute the Third Supplemental Trust Deed and none of the amendments contemplated by the New Proposals will be effected.

In relation to conditions (ii) and (iii) above, the Company expects that it will require more time to obtain the approvals of the Shareholders by way of ordinary resolutions of the Shareholders to be passed at the SGM and the Listing Approval. Accordingly, the Company will seek the consent of the Bondholders to grant the Grace Period by way of an extraordinary resolution of the Bondholders to be passed at the Meeting of Bondholders. Please refer to the sub-section headed “Grant of the Grace Period by the Bondholders” under the section headed “THE BONDHOLDERS’ RESOLUTIONS” above for further details of the grant of the Grace Period.

INFORMATION OF THE GROUP

The Group is principally engaged in mining and processing of gold ores and sale of gold products in the PRC, purchase and sale of metals and minerals in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services.

REASONS FOR AND BENEFITS OF THE NEW PROPOSALS

The New Proposals are designed to assist the Company in managing cash flows in view of the tight cash and bank balances of the Company as shown in the Company's latest annual report for the financial year ended 31 December 2018 and that the Bonds will mature on 4 August 2019 unless further extended pursuant to the New Proposals or the grant of the Grace Period being approved under the Bondholders' Resolutions. While the Company is committed to performing its obligations under the Bonds, the Directors believe that if the Bondholders' Resolutions or the Shareholders' approval is not passed or obtained and the New Proposals cannot be implemented, it would be more difficult for the Company to fulfill its obligations in full on 4 August 2019.

The Company has considered other financing alternatives to raise funds to repay the Bonds over the New Proposals, including but not limited to, bank borrowings and equity financing. However, due to the current financial performance and position of the Group (in particular the net current liabilities position of the Group as at 31 December 2018), it would be difficult for the Group to obtain new bank borrowings. Bank borrowings may also be subject to lengthy due diligence and negotiations with the banks and the requirement to pledge certain assets of the Company acceptable to the banks. In addition, assuming up to 1,167,380,000 new Shares under the Placing are successfully and fully placed at the placing price of HK\$0.071 per new Shares, net proceeds of approximately HK\$82 million will be raised (the “**Placing Net Proceeds**”). However, the Placing Net Proceeds, and even with the Group's cash and bank balance as at 31 December 2018, is not sufficient to fully settle the outstanding principal amount (together with interest accrued thereon) of the Bonds. Other equity financing such as rights issue and open offer would be more time consuming and costly as compared to the New Proposals. As such, the Company considers that the New Proposals are the most appropriate means to refinance the Bonds at this stage.

The Directors consider that the interests of the Company, the Shareholders and the Bondholders may be materially and adversely affected if the New Proposals are not approved, and it follows that it would be in the interests of the Company, the Shareholders and the Bondholders to implement the New Proposals.

The Directors consider that (i) the terms of the New Proposals are fair, reasonable and on normal commercial terms; and (ii) the New Proposals and the grant of the Specific Mandate are in the interest of the Company, the Shareholders and the Bondholders as a whole.

FUND RAISING IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities announced by the Company in the past twelve months prior to the date of this announcement:

Date of announcement/ circular/prospectus	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
26 June 2019	Placing of 1,167,380,000 new Shares under general mandate	approximately HK\$82 million	general working capital	Not yet completed as at the date of this announcement.
21 June 2018, 12 July 2018, 31 July 2018, 3 August 2018, 23 August 2018, 30 August 2018, 4 September 2018 and 26 September 2018	Rights issue on the basis of six rights shares for every one existing Shares held on the record date at the subscription price of HK\$0.22 per rights share	approximately HK\$326 million after set-off the underwriters' loan	(i) approximately 85% (equivalent to approximately HK\$277 million) for repayment of bank borrowings due within the next 12 months. (ii) approximately 15% (equivalent to approximately HK\$49 million) for general working capital for settlement of finance costs and production costs of the group.	Used as intended.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Bonds are listed on the SGX-ST. The listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

LISTING RULES IMPLICATIONS

The New Proposals will be subject to, among other things, approval by the Shareholders and the grant of Listing Approval. The Company will convene the SGM to seek the Shareholders' approval for the New Proposals, the grant of the Specific Mandate and the Proposed Increase in Authorised Share Capital. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon the exercise of the Conversion Right pursuant to the Terms and Conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, all the Bondholders are Independent Third Parties.

A circular containing, among others, further details of (i) the New Proposals and the grant of the Grace Period; (ii) the Specific Mandate; (iii) the Proposed Increase in Authorised Share Capital; (iv) the notice of SGM; and (v) such other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

There is no assurance that the Bondholders' Resolutions or the ordinary resolutions of the Shareholders at the SGM will be passed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

POTENTIAL CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. As at the date of this announcement, the market price of the Shares is closed at HK\$0.081. As the market price of the Shares is approaching the extremities, the Company intends to conduct a capital reorganisation involving share consolidation (the "**Potential Capital Reorganisation**") after the Effective Date. The Potential Capital Reorganisation will be subject to the approval by the Shareholders. As at the date of this announcement, the terms and structure of the Potential Capital Reorganisation have not been concluded or finalised. The Company will make announcement(s) regarding the Potential Capital Reorganisation as and when appropriate.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2016 Consent Solicitation”	the consent solicitation in relation to the amendments to the Bonds as referred to in the 2016 Consent Solicitation Announcements and completed on 16 March 2016
“2016 Consent Solicitation Announcements”	(i) the announcements of the Company dated 21 December 2015, 23 December 2015, 7 January 2016, 12 January 2016, 19 January 2016, 25 January 2016, 28 January 2016, 4 February 2016, 23 February 2016, 10 March 2016 and 16 March 2016; and (ii) the circulars of the Company dated 9 January 2016 and 23 February 2016 in relation to the meeting of Bondholders and consent solicitation in relation to the Bonds in 2016
“2018 Consent Solicitation”	the consent solicitation in relation to the amendments to the Bonds as referred to in the 2018 Consent Solicitation Announcements and completed on 2 February 2018
“2018 Consent Solicitation Announcements”	(i) the announcements of the Company dated 21 December 2017, 5 January 2018, 31 January 2018 and 2 February 2018; and (ii) the circular of the Company dated 15 January 2018 in relation to the meeting of Bondholders and consent solicitation in relation to the Bonds in 2018
“Amended Terms and Conditions”	the amended Terms and Conditions as reflected in the Third Supplemental Trust Deed upon the implementation of the New Proposals
“Applicable Interest”	has the meaning given to it in the sub-section headed “Interest” under the section headed “PRINCIPAL TERMS OF THE BONDS AFTER NEW PROPOSED AMENDMENTS TAKE EFFECT” in this announcement
“Average Market Price”	the arithmetic average of the Volume Weighted Average Price of the Shares for the last 20 consecutive Trading Days immediately prior to the relevant Reset Reference Date

“Board”	the board of Directors
“Bond Announcement”	the announcement by the Company dated 28 January 2013 in relation to the issue of the Bonds
“Bond(s)”	HK\$1,028,000,000 7.25% convertible bonds issued by the Company on 4 February 2013, as amended by the First Supplemental Trust Deed, Second Supplemental Trust Deed and to be amended by the Third Supplemental Trust Deed, of which an aggregate principal amount of HK\$311,916,064 remain outstanding as at the date of this announcement
“Bondholders”	holders of the Bonds as at the date hereof
“Bondholders’ Resolution(s)”	extraordinary resolution(s) of the Bondholders to be sought at the Meeting of Bondholders to approve the New Proposals and the grant of the Grace Period in accordance with the provisions of the Trust Deed
“Closing Price”	for the Shares for any Trading Day shall be the price published in the daily quotation sheet published by the Stock Exchange for such day
“Company”	Munsun Capital Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, and the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Conditions Precedent”	the conditions precedent to the effectiveness of the New Proposals, which are set out in the section headed “CONDITIONS PRECEDENT” in this announcement
“Control”	(a) the acquisition or holding of legal or beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise

“Conversion Price”	HK\$0.088 per Share, subject to adjustments
“Conversion Right”	the right of each Bondholder to convert such Bonds into Shares as provided in the Terms and Conditions
“Conversion Shares”	the Shares to be issued upon the exercise of the Conversion Right attaching to the Bonds under the Amended Terms and Conditions
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the New Proposals are expected to take effect being (i) on or before 4 August 2019, or (ii) if the Conditions Precedent cannot be satisfied in full on or before 4 August 2019, no later than 4 September 2019
“First Supplemental Trust Deed”	the supplemental trust deed amending the Trust Deed entered into between the Company and the Trustee on 4 February 2016
“Grace Period”	has the meaning given to it in the sub-section headed “Grant of the Grace Period by the Bondholders” under the section headed “THE BONDHOLDERS’ RESOLUTIONS” in this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Approval”	the grant of the listing of, and permission to deal in, the Shares to be allotted and issued upon the exercise of the Conversion Right pursuant to the Terms and Conditions by the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	30 September 2021

“Meeting of Bondholders”	the meeting of the Bondholders to be held and convened in accordance with the provisions of the Trust Deed for the purposes of considering and, if thought fit, passing the extraordinary resolutions in respect of the New Proposals and the grant of the Grace Period
“New Proposals”	the proposed amendments to the Terms and Conditions and the Trust Deed as set out in the Third Supplemental Trust Deed
“Permitted Indebtedness”	the 50,000,000 redeemable preferred shares issued on 12 June 2012 by Decent Connection Overseas Limited, a wholly-owned subsidiary of the Company
”Placing”	the placing of up to 1,167,380,000 new Shares under the general mandate of the Company pursuant to a placing agreement dated 26 June 2019, as further described in the announcement of the Company dated 26 June 2019, which will result in an adjustment to the Conversion Price pursuant to the Terms and Conditions
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Proposed Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$10,000,000 divided into 10,000,000,000 Shares to HK\$50,000,000 divided into 50,000,000,000 Shares by the creation of 40,000,000,000 additional authorised but unissued Shares
“Put Option Date”	has the meaning given to it in the sub-section headed “Redemption at the option of the Bondholders” under the section headed “PRINCIPAL TERMS OF THE BONDS AFTER NEW PROPOSED AMENDMENTS TAKE EFFECT” in this announcement

“Relevant Indebtedness”	any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement) and which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans
“Reset Reference Date”	31 March 2020, 30 September 2020 and 31 March 2021
“Second Supplemental Trust Deed”	the second supplemental trust deed amending the Trust Deed entered into between the Company and the Trustee on 2 February 2018
“Securities Act”	the US Securities Act of 1933, as amended
“SGM”	the special general meeting of the Company due to be held and convened for the purpose of considering and, if thought fit, passing the ordinary resolutions in respect of the New Proposals, as well as the granting of the Specific Mandate and the Proposed Increase in Authorised Share Capital
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	the duly registered holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Terms and Conditions”	the terms and conditions of the Bonds as amended under the First Supplemental Trust Deed, the Second Supplemental Trust Deed and from time to time
“Third Supplemental Trust Deed”	the supplemental trust deed supplemental to and amending Trust Deed to be entered into between the Company and the Trustee on the Effective Date
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days
“Trust Deed”	the trust deed dated 4 February 2013 between the Company and the Trustee constituting the Bonds as amended by the First Supplemental Trust Deed, the Second Supplemental Trust Deed and from time to time
”Trustee”	the Bank of New York Mellon, London Branch
“US” or “United States”	the United States of America
“Volume Weighted Average Price” or “VWAP”	in respect of a Share on any Trading Day, the order book or “VWAP” volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page 1194 HK Equity VWAP or such other source as shall be determined to be appropriate by an independent investment bank (as defined in the Trust Deed) on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined

“%”

per cent.

By order of the Board
Munsun Capital Group Limited
YI Shuhao
Chairman

Hong Kong, 10 July 2019

As at the date of this announcement, the Executive Directors of the Company are Mr. Yi Shuhao, Mr. Chen Sheng, Mr. Zhang Lirui, Mr. Yu Yong and Mr. Wang Baozhi; the Non-Executive Director of the Company is Mr. Hsu Jing-Sheng; and the Independent Non-Executive Directors of the Company are Ms. Wong Chi Yan, Professor Xiao Rong Ge and Professor Zhang Tianyu.