
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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 or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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



GOLDIN FINANCIAL HOLDINGS LIMITED

高銀金融(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 530)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF A DOMESTIC FACTORING AGREEMENT

Financial adviser to the Company



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



A letter from the board of directors of Goldin Financial Holdings Limited (the "Company") is set out on pages 4 to 19 of this circular. A letter from the independent board committee of the Company is set out on page 20 of this circular. A letter from Quam Capital Limited, the independent financial adviser, containing its advice and recommendation to the independent board committee and the independent shareholders of the Company is set out on pages 21 to 40 of this circular.

A notice convening a special general meeting of the Company to be held at 23/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong at 11:00 a.m. on Friday, 8 February 2013 is enclosed with this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting or any adjournment thereof if you so wish.

23 January 2013

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	20
Letter from Quam Capital	21
Appendix — General information	41
Notice of SGM	46

DEFINITIONS

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

“Account Receivable(s)”	the account receivable(s) to be assigned by Matsunichi Digital to Goldin Factoring China pursuant to the arrangement set out in the Domestic Factoring Agreement, subject to Goldin Factoring China satisfying with the relevant due diligence assessment
“Annual Caps”	the maximum aggregated annual value in respect of the Continuing Connected Transactions for the period from the Effective Date to 30 June 2013 and each of the two financial years ending 30 June 2015 as set out under the section headed “ANNUAL CAPS AND BASIS OF DETERMINATION” in the “Letter from the Board” to this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Buyer”	the buyer (and its guarantor, if any) who is obliged to pay Matsunichi Digital for the Account Receivable on the invoiced due date
“Company”	Goldin Financial Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Domestic Factoring Agreement
“Director(s)”	the director(s) of the Company
“Domestic Factoring Agreement”	the agreement dated 13 December 2012 entered into between Goldin Factoring China and Matsunichi Digital in respect of the provision of non-recourse factoring services
“Effective Date”	the date on which all the conditions precedents as set out under the section headed “CONDITIONS PRECEDENT TO THE DOMESTIC FACTORING AGREEMENT” in the “Letter from the Board” to this circular are fulfilled, including but not limited to the obtaining of the Independent Shareholders’ approval for the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps

DEFINITIONS

“Goldin Factoring China”	高銀保理（中國）發展有限公司 (Goldin Factoring (China) Development Limited*), an indirect wholly-owned subsidiary of the Company and a wholly-foreign owned enterprise in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Tang Yiu Wing, Ms. Hui Wai Man, Shirley and Ms. Gao Min, established to advise the Independent Shareholders in respect of the terms of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps
“Independent Financial Adviser” or “Quam Capital”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps
“Independent Shareholders”	all Shareholders other than Mr. Pan and Mr. Zhou and their respective associates
“Insurance Company”	the Pre-Approved Insurance Company or such other insurance company as Goldin Factoring China may approve from time to time
“Insurance Contract”	the China credit insurance purchased or to be purchased by Matsunichi Digital for the associated credit risk of Account Receivable from the Insurance Company
“Latest Practicable Date”	21 January 2013, being the latest practicable date for ascertaining certain information contained in this circular
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Matsunichi Digital”	松日數碼發展（深圳）有限公司 (Matsunichi Digital Development (Shenzhen) Company Limited*), a company established in the PRC with limited liability and beneficially owned by Mr. Pan
“Mr. Pan”	Mr. Pan Sutong, a non-executive Director, the Chairman of the Board and the controlling shareholder of the Company
“Mr. Zhou”	Mr. Zhou Dengchao, a Shareholder and a common director of Matsunichi Digital and the Company

DEFINITIONS

“PRC”	the People’s Republic of China
“Pre-Approved Insurance Company”	China Export and Credit Insurance Corporation, a PRC state-owned insurance company which has been approved by Goldin Factoring China as qualified Insurance Company
“Qualified Account Receivable”	the Account Receivable which should not have any underlying liabilities, and upon the time of assignment from Matsunichi Digital to Goldin Factoring China, such Account Receivable should be unexpired, incurred legally, transferrable, meeting the insurance coverage requirements under the Insurance Contract, and should not be mortgaged or pledged to any third party and the legal creditor of which should be Matsunichi Digital
“Rights Issue”	the issue of rights shares by the Company on the basis of 11 rights shares for every 10 shares, further details of which are set out in the prospectus of the Company dated 16 November 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the terms of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular, unless otherwise specifies, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 = HK\$1.24.

For the purpose of this circular, unless otherwise specifies, conversion of United States dollars into Hong Kong dollars is based on the approximate exchange rate of US\$1.00 = HK\$7.78.

** for identification purposes only*

LETTER FROM THE BOARD



GOLDIN FINANCIAL HOLDINGS LIMITED

高銀金融（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 530)

*Non-executive Director and
the Chairman of the Board:*
Mr. Pan Sutong

Executive Directors:
Mr. Wong Hau Yan, Helvin
Mr. Zhou Dengchao
Ms. Hou Qin
Mr. Lee Chi Chung, Harvey
Professor Huang Xiaojian

Independent Non-executive Directors:
Mr. Tang Yiu Wing
Ms. Hui Wai Man, Shirley
Ms. Gao Min

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*
23/F., Two International Finance Centre
8 Finance Street
Central
Hong Kong

23 January 2013

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF A DOMESTIC FACTORING AGREEMENT

INTRODUCTION

On 13 December 2012, Goldin Factoring China, an indirect wholly-owned subsidiary of the Company, entered into the Domestic Factoring Agreement with Matsunichi Digital in respect of the provision of non-recourse factoring services by Goldin Factoring China for a fixed term commencing from the Effective Date to 30 June 2015.

** for identification purposes only*

LETTER FROM THE BOARD

This circular gives you further information in relation to the transactions contemplated under the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.

CONTINUING CONNECTED TRANSACTIONS

On 13 December 2012, Goldin Factoring China, a wholly-owned subsidiary of the Company, entered into the Domestic Factoring Agreement with Matsunichi Digital in respect of the provision of non-recourse factoring services by Goldin Factoring China for a fixed term commencing from the Effective Date to 30 June 2015. Under the non-recourse factoring services, Goldin Factoring China, being the factor, will assume the risk of non-payment of the Buyer for the Account Receivables due to insolvency during the prepayment period. Detail of the Domestic Factoring Agreement are set out below:

PRINCIPAL TERMS OF THE DOMESTIC FACTORING AGREEMENT

Date of agreement	:	13 December 2012
Parties	:	Goldin Factoring China Matsunichi Digital
Subject matter	:	Subject to Goldin Factoring China being satisfied with the relevant due diligence assessment in respect of each Account Receivable, Goldin Factoring China will acquire from Matsunichi Digital and Matsunichi Digital will assign to Goldin Factoring China the Account Receivable and Goldin Factoring China will, after deducting the factoring handling fee, prepay Matsunichi Digital before the invoiced due date an amount equivalent to the face invoiced amount of the Account Receivable multiplied by the agreed prepayment ratio to which the Account Receivable relates.

Pursuant to the factoring arrangements under the Domestic Factoring Agreement, the factored Account Receivables would be settled directly to Matsunichi Digital by the Buyer and Matsunichi Digital shall transfer the same amount to Goldin Factoring China. This settlement arrangement is consistent with the industrial practice for factoring houses, where their clients will transfer the amount received from the buyer for the account receivables to the factor under non-recourse factoring arrangements in the PRC. Subject to Goldin Factoring China being satisfied with the relevant due diligence assessment that no consent is required from the Buyer, the factoring arrangements under the Domestic Factoring Agreement are legally enforceable under the relevant law and regulations.

LETTER FROM THE BOARD

- Due diligence assessment procedures : Prior to the acquisition of each Account Receivable, Goldin Factoring China will conduct a series of due diligence assessment procedures including but not limited to the following:
- (1) the application made by Matsunichi Digital in respect of the non-recourse factoring services for each Account Receivable in form satisfactory to Goldin Factoring China;
 - (2) the acceptance in form satisfactory to Goldin Factoring China by Matsunichi Digital of the confirmation letter issued by Goldin Factoring China in respect of the acquisition of the Account Receivable;
 - (3) the provision of the assignment of the Account Receivable by Matsunichi Digital in form satisfactory to Goldin Factoring China after the acceptance as mentioned in procedure (2) above;
 - (4) the provision of the list of authorised persons to sign the relevant documents under the Domestic Factoring Agreement by Matsunichi Digital and their signature samples;
 - (5) the provision of the relevant commercial documents and invoices by Matsunichi Digital including but not limited to the sales contracts, value-added tax invoices, delivery note (if any), Insurance Contract and other documents for Goldin Factoring China's assessment;
 - (6) the entering into of the Insurance Contract for the Account Receivable and the payment of the insurance fee thereto by Matsunichi Digital; and
 - (7) the transfer of benefit of the Insurance Contract to Goldin Factoring China by Matsunichi Digital by way of the signing of a transfer agreement among Goldin Factoring China, Matsunichi Digital and the Insurance Company.

LETTER FROM THE BOARD

Goldin Factoring China will consider various factors including but not limited to the background, the financial position and the credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable during the assessment of the application and acceptance of each Account Receivable and the credit risks associated with each Account Receivable. A series of searches and analysis such as company searches, litigation checkings, anti-money laundering and terrorist financing investigations and financial analysis of Matsunichi Digital and aging analysis of Account Receivable will be conducted during such assessment procedures. The credit standing of Matsunichi Digital is determined based on the results of its financial analysis. Such financial analysis will be carried out by Goldin Factoring China after taking into account the parameters such as sales trend, historical profitability, liquidity, equity strength, gearing, cash flow position, which are also the standard parameters when determining the credit standing of other clients. Based on the abovementioned factors, searches, analysis and documents provided by Matsunichi Digital for due diligence purposes, Goldin Factoring China will assess if the Account Receivable is a Qualified Account Receivable, as well as the reasonableness of the terms of the relevant sales contracts.

In respect of the Insurance Contract, the principal terms including the insured sum and/or coverage will be varied for each Account Receivable. The insurance coverage granted by the Insurance Company will be determined with reference to the amount of the insured sum and the credit standing of the Buyer which will be determined by the Insurance Company based on factors including but not limited to the background and financial position of the Buyer. The insurance coverage commonly provided for domestic factoring by the Insurance Company in the PRC is 90% for Buyer with high credit standing but will vary depending on the credit standing of the Buyer. Goldin Factoring China will normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for 90% for such insurance sum to be the credit risk of the Buyer, which is in line with industrial practice, and in any case the insurance claim amount will not be less than the prepayment amount granted by Goldin Factoring China in satisfying itself in the acceptance of

LETTER FROM THE BOARD

the Account Receivable. The Group will adopt such practice when considering other independent third parties under domestic factoring services in the PRC. The Pre-Approved Insurance Company is a PRC state-owned insurance company and was established in 2001 to provide domestic trade and export credit insurance, with an insured sum of approximately US\$253.89 billion in 2011. Given the aforesaid background of the Pre-Approved Insurance Company and it is the industrial practice to engage with the Insurance Company for the factoring services in the PRC, the Pre-Approved Insurance Company is selected to provide the insurance services under the Domestic Factoring Agreement.

Prepayment ratio : An agreed percentage of the face invoiced amount of each Account Receivable to be determined on a case-by-case basis which will be used for the determination of the amount of prepayment in respect of each Account Receivable to be made by Goldin Factoring China to Matsunichi Digital.

The prepayment ratio shall be determined based on various factors including but not limited to the background, the financial position and the credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable. Usually, a prepayment ratio ranging from 85% to 95% (and in any case not more than 100%) will be granted when considering large corporations while a prepayment ratio ranging from 50% to 85% will be granted when considering small to medium-sized enterprises. A higher prepayment ratio will be granted to client with better market reputation, financial position, higher credit standing and higher percentage of insurance cover. Such factors will be considered as a whole by the senior staffs of Goldin Factoring China based on their experiences and current market condition when determining the prepayment ratio. Such senior staffs have more than 7-year experience in the factoring industry and/or financial management. According to the industrial practice, Matsunichi Digital will be regarded as large corporation, being a corporation with annual sales over US\$30 million, and a prepayment ratio ranging from 85% to 100% is expected to be granted under the Domestic Factoring Agreement, subject to the insurance coverage granted by the Insurance Company.

LETTER FROM THE BOARD

Prepayment period : The prepayment period of the Account Receivable refers to the period commencing from the date on which the prepayment of the Account Receivable is made to Matsunichi Digital by Goldin Factoring China until the expiry of the agreed grace period after the invoice due date. The agreed grace period refers to an additional period which is to be determined with reference to the term granted by the Insurance Company under the Insurance Contract and will be in any case not more than 180 days. Usually, a longer prepayment period will be granted for Account Receivables with a longer invoice due date.

Discounting charge : The discounting charge as a prepayment finance fee charged by Goldin Factoring China will be calculated as follows:

A: Discounting charge

B: Face invoiced amount of the Account Receivable

C: Prepayment ratio (%)

D: Standard rate promulgated by the People's Bank of China from time to time for RMB loans with corresponding prepayment period as at the date on which the prepayment of the Account Receivable is made, and with a floating upward or downward rate to such standard rate to be fixed after Goldin Factoring China's assessment (%)

E: Number of days of the prepayment period

$$A = B \times C \times \frac{D}{360} \times E$$

It is the industrial practice that the standard rate promulgated by the People's Bank of China will be used as parameter in calculating the discounting charge under domestic factoring services in the PRC. However, LIBOR rate is used instead for the international factoring services currently provided by the Group, which is in accordance with the industrial practice for international factoring for transactions with currency being denominated in USD.

LETTER FROM THE BOARD

Factoring handling fee : An agreed service charge payable by Matsunichi Digital to Goldin Factoring China for the provision of the factoring service will be determined on a case-by-case basis which will represent a percentage of the face invoiced amount of the Account Receivable.

The factoring handling fee shall be determined based on various factors including but not limited to the credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable, the face value of the Account Receivable and number of invoice. A lower factoring handling fee will be charged to clients with higher credit standing, higher percentage of insurance cover, higher face value of the Account Receivable and smaller number of invoice. The percentage as represented for factoring handling fee will fall within the range which is normally considered by Goldin Factoring China as internal reference during the assessment procedures under both domestic and international factoring services (in the case of international factoring services, additional fee will be charged where import factor is involved), and shall be equivalent to that offered to independent third parties with same credit standing, same percentage of insurance cover and account receivable of similar nature.

Term : Commencing from the Effective Date and, unless otherwise early terminated by the parties, up to 30 June 2015 (both days inclusive)

Recovery and re-assignment clauses : If the Account Receivable or any part of it still remains outstanding after the expiry of the prepayment period, Matsunichi Digital shall take all actions at its best effort to assist Goldin Factoring China in recovering the Account Receivable including but not limited to the making of any claim under the Insurance Contract to which the Account Receivable relates.

If the Buyer settles the Account Receivables on or before the expiry of the prepayment period, the balance (if any) of the Account Receivables, after deducting the discounting charge, factoring handling fee and any other applicable fees, shall belong to Matsunichi Digital.

LETTER FROM THE BOARD

Goldin Factoring China has the rights to re-assign all or part of the acquired Account Receivable to Matsunichi Digital and require Matsunichi Digital to pay the relevant discounting charge and factoring handling fee upon the occurrence of the following:

- (1) any breach by Matsunichi Digital of sales contract, or any dispute or controversy under the sales contract leading to failure of payment by the Buyer on the invoiced due date;
- (2) any breach by Matsunichi Digital of Insurance Contract, the transfer agreement for transferring the benefit of the Insurance Contract or other formal agreements entered into among Goldin Factoring China, Matsunichi Digital and the Insurance Company leading to failure of obtaining the claim under the Insurance Contract by Goldin Factoring China;
- (3) any court preserving measure, seize or freeze by competent authority or administrative or executive order with similar level of authority leading to failure of obtaining the claim by Goldin Factoring China;
- (4) any fraud by Matsunichi Digital that the Account Receivable assigned to Goldin Factoring China is not incurred from transaction conducted properly;
- (5) the Account Receivable assigned to Goldin Factoring China is not a Qualified Account Receivable;
- (6) the failure of Matsunichi Digital to perform contractual obligations or any breach by Matsunichi Digital in its representations and undertakings;
- (7) any charges by the Insurance Company incurred in insurance claim settlement; and
- (8) the failure to receive claim from Insurance Company due to insurance exceptions.

LETTER FROM THE BOARD

Remedies payable by Matsunichi Digital to Goldin Factoring China : Matsunichi Digital will be responsible for all litigation costs, attorneys' fees, notary fees and expenses relating to insurance claim which will be incurred as a result from the recovery of the Account Receivable.

In the event of any occurrence of the abovementioned recovery and/or re-assignment clauses leading to the failure of the payment by the Buyer on the invoice due date or the unsuccessful claim against the Insurance Company, Matsunichi Digital undertakes to return the prepayment amount of the factored Account Receivables and the relevant cost (if any) to Goldin Factoring China upon its request.

Comparison between the principal terms of the domestic factoring services to be provided to Matsunichi Digital under the Domestic Factoring Agreement and the international factoring services offered to independent third parties

	Domestic factoring services to be provided to Matsunichi Digital	International factoring services
Prepayment ratio	A range of 85% to 100% for large corporations while a range of 50% to 85% for small to medium-sized enterprises which is normally considered by Goldin Factoring China as internal reference during the assessment procedures.	Same as the basis as considered under Domestic Factoring Agreement.
Discounting charge	<p>The discounting charge as a prepayment finance fee charged by Goldin Factoring China will be calculated as follows:</p> <p>A: Discounting charge</p> <p>B: Face invoiced amount of the Account Receivable</p> <p>C: Prepayment ratio (%)</p> <p>D: Standard rate promulgated by the People's Bank of China from time to time for RMB loans with corresponding prepayment period as at the date on which the prepayment of the Account Receivable is made, and with a floating upward or downward rate to such standard rate to be fixed after Goldin Factoring China's assessment (%)</p>	Same as that offered under Domestic Factoring Agreement except the parameter of the standard rate promulgated by the People's Bank of China will be replaced by LIBOR.

LETTER FROM THE BOARD

E: Number of days of the prepayment period

$$A = B \times C \times \frac{D}{360} \times E$$

Factoring handling fee

The percentage as represented for the factoring handling fee will fall within the range which is normally considered by Goldin Factoring China as internal reference during the assessment procedures, and shall be equivalent to that offered to independent third parties with same credit standing, same percentage of insurance cover and account receivable of similar nature.

Same as the basis as considered under Domestic Factoring Agreement, except that an import factor is involved and an additional fee will be charged to reflect the extra cost incurred from the engagement with the import factor.

Insurance sum and coverage

Normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for such insurance sum to be 90% of the credit risk of the Buyer.

Under international factoring services currently provided by the Group, an import factor will be engaged to underwrite the credit risk of the overseas buyer and to collect the overdue account receivable. The credit risk of the overseas buyer is underwritten by the import factor and therefore no insurance contract is required.

Recovery and/or claim to be made by the Company in case of default

If the Account Receivable or any part of it still remains outstanding after the expiry of the prepayment period, which shall be ranged from 90 to 180 days after the invoice due date, depending on the term of the insurance coverage granted by the Insurance Company, Matsunichi Digital shall take all actions at its best effort to assist Goldin Factoring China in recovering the Account Receivable including but not limited to the making of any claim under the Insurance Contract to which the Account Receivable relates.

Goldin Factoring China has the right to make the claims from the import factors if, among other things, the account receivable or any part of it still remains outstanding after 90 days from the invoice due date.

LETTER FROM THE BOARD

In the event of any occurrence of the recovery and/or re-assignment clauses as stated under the Domestic Factoring Agreement, including but not limited to any dispute, controversy or breaches of client under the sales contract, leading to the failure of the payment by the Buyer on the invoice due date or the unsuccessful claim against the Insurance Company, Matsunichi Digital undertakes to return the prepayment amount of the factored Account Receivables and the relevant cost (if any) to Goldin Factoring China upon its request.

In the event of any occurrence of any dispute, controversy or breaches of export seller under the sales contract leading to the failure of the payment by the buyer on the invoice due date, the export seller will return the prepayment amount of the factored account receivables to Goldin Factoring China and if such dispute, controversy or breaches occurs within 180 days from the invoice due date and after the claim payment made from the import factor to the export seller, the export seller is required to repay the claim payment and other relevant charges.

The terms of the Domestic Factoring Agreement including the prepayment ratio and the prepayment period granted and the discounting charge and the factoring handling fee charged by Goldin Factoring China to Matsunichi Digital, which will be determined after due diligence assessment by Goldin Factoring China based on various factors including but not limited to the background, the financial position and the credit standing of Matsunichi Digital, and insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable, will be no more favourable than those available to other independent third parties with Account Receivable of similar nature with insurance coverage and client of similar rating.

In addition to the abovementioned due diligence assessment procedures, which are consistent with those for independent third parties involved in the Company's factoring business, Goldin Factoring China will compare the terms of the Domestic Factoring Agreement including but not limited to the prepayment ratio, the prepayment period, the discounting charges and the factoring handling fees with those offered to independent third parties with Account Receivable with similar nature and client of similar rating from time to time to ensure such terms are normal commercial terms and no less favourable to the Company.

ANNUAL CAPS AND BASIS OF DETERMINATION

The table below sets out the proposed Annual Caps under the Domestic Factoring Agreement for period from the Effective Date to 30 June 2013 and each of the two full financial years ending 30 June 2015:—

	For the period from the Effective Date to 30 June 2013 (RMB billion)	For the year ending 30 June 2014 (RMB billion)	For the year ending 30 June 2015 (RMB billion)
Annual Caps	5.0 (equivalent to approximately HK\$6.2 billion)	12.0 (equivalent to approximately HK\$14.9 billion)	12.0 (equivalent to approximately HK\$14.9 billion)

LETTER FROM THE BOARD

The proposed Annual Caps have been worked out with reference to (i) the historical revenue of Matsunichi Digital for the year ended 31 December 2011 and over the past nine months since January 2012; (ii) Matsunichi Digital's sales forecast for the years 2012-2015; (iii) the potential growth of electronics market in the PRC leading to the growth of business of Matsunichi Digital given the principal products sold by Matsunichi Digital are electronic hardware including but not limited to tablet computers and smart phones as advised by the management of Matsunichi Digital; (iv) the availability of capital funding for the factoring business of Goldin Factoring China. Having reviewed the sales forecast of Matsunichi Digital for the years 2012-2015, the Directors considered that the amount of projected sales in the PRC would be a potential amount of Account Receivables to be assigned to Goldin Factoring China under the Domestic Factoring Agreement and are of the view that setting the Annual Caps with reference to the projected sales in the PRC of Matsunichi Digital, which is on a growing trend and exceeds the Annual Caps for each of the period from the Effective Date to 30 June 2013 and two financial years ending 30 June 2015, is fair and reasonable.

In order to ensure the amount of transactions contemplated under the Domestic Factoring Agreement will not exceed the proposed Annual Caps, the Group will periodically monitor the total transaction amount and estimate the amount of transactions that may possibly be incurred in the coming months in respect of non-recourse factoring services under the Domestic Factoring Agreement.

CONDITIONS PRECEDENT TO THE DOMESTIC FACTORING AGREEMENT

The Domestic Factoring Agreement is conditional upon the fulfillment of the following conditions:

- (a) the Company having obtaining of the Independent Shareholders' approval at the SGM in respect of the Domestic Factoring Agreement, Continuing Connected Transactions and the Annual Caps;
- (b) Matsunichi Digital having provided the copy of board resolution of Matsunichi Digital approving the Domestic Factoring Agreement and the transactions contemplated thereunder to Goldin Factoring China; and
- (c) Matsunichi Digital having provided the relevant documents relating to its establishment including but not limited to its memorandum and articles of association, business licence, organisation code certificate and the certificate of identity of legal representative to Goldin Factoring China.

The above conditions must be fulfilled and are incapable of being waived.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE DOMESTIC FACTORING AGREEMENT

The Company is an investment holding company and its subsidiaries are engaged in factoring business, financial investments and related activities, wine business and property development and investment.

Matsunichi Digital is principally engaged in manufacturing, research and development of advanced electronic products in Hong Kong, the PRC and the United States. As advised by the management of Matsunichi Digital, the major customers of Matsunichi Digital are international companies in the United States and the PRC principally engaged in the sales of electronic hardware and/or consumer goods, some of which are listed companies with no history of default.

As stated in the annual report of the Company for the year ended 30 June 2012, the Group planned to devote more resources to its China factoring business by increasing the capital base of Goldin Factoring China, being the factoring arm of the Group, as the existing registered capital of Goldin Factoring China has almost been fully applied in the factoring business, which limited the Group to provide further advances to its existing and potential customers and therefore restricted its business growth. Upon completion of the Rights Issue, part of the cash proceeds of approximately US\$200 million therefrom will be used for capital contribution to increase the registered capital of Goldin Factoring China to approximately US\$299.7 million (equivalent to approximately HK\$2,331.7 million), further expanding the factoring business of the Group in the PRC. Given the capital-intensive nature of factoring business, the Group will raise further financing for its factoring operation through various ways including but not limited to bank and other borrowings to further increase the registered capital of Goldin Factoring China to approximately US\$399.7 million (equivalent to approximately HK\$3,109.7 million) and/or make further factoring arrangements with financial institutions in order to enhance the financial flexibility of the Group. As at the Latest Practicable Date, the Company has liaised with various financial institutions in respect of these funding alternatives. As the prepayment period of the Account Receivable is expected to be around 90 days, it is assumed that the fund available for Goldin Factoring China for its operation of the factoring business can be revolved up to four times per year. Given the revolving nature of the fund available for the factoring business as well as possible factoring arrangements with financial institutions in respect of funding alternatives, the Directors are of the view that the funding required to carry out the transactions under the Domestic Factoring Agreement will be available.

In 2011, China's international and domestic factoring business volume totaled approximately US\$356 billion, which ranked first in the world. In addition, the positive early response of the trial scheme allowing the establishment of factors in the thriving Shanghai Pudong and Tianjin Binhai New Areas, as well as the increasing difficulty for small to medium-sized enterprises to obtain financing as a result of the tightening of credit lines by PRC major banks, are expected to bring positive impacts to the factoring industry in the PRC. In view of the growing activities of the factoring market in the PRC, the Directors are optimistic about the prospect of the factoring industry in the PRC and consider that the entering into of the Domestic Factoring Agreement allows the Group to capture the growth in the factoring business.

The Group currently only provides international factoring services, all of which are non-recourse in nature. International factoring refers to factoring offered to export sellers and domestic factoring refers to factoring offered to domestic sellers. Under non-recourse domestic factoring services, the factor will acquire the account receivable from the seller and will assume the non-payment risk of

LETTER FROM THE BOARD

buyer for the account receivable due to insolvency. According to industrial practice, the factor will normally require the seller to engage with a third party insurance company to lower the risk exposure of the factor in respect of the credit risk of the buyer under domestic factoring. Under non-recourse international factoring services, the factors offering factoring services to export sellers are the export factors, while the factors underwriting the credit risk of the overseas buyers (i.e. the overseas customers of the export sellers) are import factors. The export factor acquires the account receivables from the export seller and provides credit risk protection to the export seller. Due to the limited knowledge of the export factor on the overseas buyers and the difficulty in collection of overdue account receivables from overseas buyers, the export factor will normally engage an import factor, which underwrites the credit risk of the overseas buyer and is also responsible for collection of outstanding invoices in accordance with the sales contract entered into between the export seller and the overseas buyer. The import factor will then transfer the same amount of outstanding invoices as collected from the overseas buyer to the export factor. If the account receivable still remains outstanding after 90 days from the invoice due date, the import factor will pay 100% of the invoice value under guarantee. Goldin Factoring China currently offers non-notification factoring to its customers, which the export seller collects the full invoice amount on the invoice due date and transfer the same amount to the export factor and the import factor will only collect overdue account receivables from overseas buyers. Where the import factor is involved under the international factoring, Goldin Factoring China will increase the factoring handling fee to the client by the same percentage as charged by the import factor and relevant administrative expense to reflect the extra cost incurred from the engagement with the import factor by Goldin Factoring China. Save for an import factor will be involved instead of the Insurance Company under international factoring and aforesaid adjustment in the factoring handling fee as compared to that under Domestic Factoring Agreement, which the engagement with the Insurance Company and the payment of the insurance fee under the Insurance Contract by Matsunichi Digital are required instead of the engagement with an import factor by Goldin Factoring China, the principal terms of international factoring services offered to independent third parties are similar to those under the Domestic Factoring Agreement.

The Group has two customers under international factoring which are companies principally engaged in the manufacturing and sale of electronic hardware in the PRC. The Directors are of the view that the provision of the factoring services to Matsunichi Digital under the Domestic Factoring Agreement would by engaging in domestic factoring in the PRC, broaden the Group's business horizon. The Group will continue its existing international factoring business through Goldin Factoring Limited, the Hong Kong factoring arm of the Group, and may further expand when sufficient fund is available. Depending on the availability of fund of Goldin Factoring China and the terms of the factoring arrangements with financial institutions, Goldin Factoring China would plan to extend its domestic factoring services to the PRC customers other than Matsunichi Digital. Having considered that (i) a series of necessary due diligence procedures is required to be conducted prior to the acquisition of each of the Account Receivable under the Domestic Factoring Agreement, in particular, the entering into of the Insurance Contract by Matsunichi Digital which shall normally covers 90% credit risk of the Buyer, greatly lowering the risk exposure to the Group; (ii) the relatively high profit margin of factoring business, being approximately 64.3% before corporate administrative expenses and finance costs as reflected from the annual report of the Company for the year ended 30 June 2012, and the provision of factoring services under the Domestic Factoring Agreement is expected to improve the financial performance of the Group and enhance the Shareholder's value; and (iii) no historical default was recognised among the customers of Matsunichi Digital as advised by the management of Matsunichi Digital, the Directors are of the view that the expansion of Goldin Factoring China's factoring business by way of the Domestic Factoring Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Given that the terms of the Continuing Connected Transactions are based on normal commercial terms which are made on an arm's length basis, the Directors (excluding Mr. Pan and Mr. Zhou who have abstained from voting on the relevant board resolutions) are of the view that the entering into of the Domestic Factoring Agreement is in the ordinary and usual course of business of the Company, on normal commercial terms which are made on an arm's length basis and that the Domestic Factoring Agreement and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Given that the acquisition of relevant Account Receivable under the Domestic Factoring Agreement by Goldin Factoring China is subject to fulfilment of relevant due diligence assessment procedures, the Directors consider that there is no known disadvantage of the Domestic Factoring Agreement and the transactions contemplated thereunder to the Group.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Matsunichi Digital was beneficially owned by Mr. Pan. Mr. Pan is a non-executive Director, the Chairman of the Board and the controlling shareholder of the Company and therefore a connected person of the Company and Matsunichi Digital is an associate of Mr. Pan and is therefore an associate of a connected person of the Company within the meaning of the Listing Rules. In addition, Mr. Zhou is a common director of Matsunichi Digital and the Company and is therefore a connected person of the Company. The transactions contemplated under the Domestic Factoring Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (other than profits ratio) in respect of the transactions contemplated under the Domestic Factoring Agreement for period from the Effective Date to 30 June 2013 and each of the two financial years ending 30 June 2015 is more than 5% as calculated pursuant to Rule 14.07 of the Listing Rules, the Continuing Connected Transactions and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Given that Mr. Pan and Mr. Zhou are connected persons of the Company and have material interests in the Continuing Connected Transactions, Mr. Pan and his associates, which together held approximately 70.24% of the issued share capital of the Company, and Mr. Zhou, who held approximately 0.01% of the issued share capital of the Company, as at the Latest Practicable Date, will abstain from voting at the SGM for approving the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.

SGM

The SGM will be held at 23/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong at 11:00 a.m. on Friday, 8 February 2013 for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps. A notice convening the SGM is enclosed with this circular.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. 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 if you so wish.

RECOMMENDATION

The Independent Board Committee comprising all independent non-executive Directors namely, Mr. Tang Yiu Wing, Ms. Hui Wai Man, Shirley and Ms. Gao Min has been established to advise the Independent Shareholders in respect of the terms of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps. Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the same. Your attention is drawn to (i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 20 of this circular, and (ii) the letter from Quam Capital setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, the text of which is set out on pages 21 to 40 of this circular.

Having considered the reasons set out in the paragraph headed "Reasons for and benefits of entering into the Domestic Factoring Agreement" above, the Directors, including the independent non-executive Directors (who have also considered the advice and recommendation of Quam Capital), are of the opinion that the transactions contemplated under the Domestic Factoring Agreement are in the interest of the Company and the Shareholders as a whole, in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which and the Annual Caps are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution for approval of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.

GENERAL

Your attention is drawn to the additional information contained in the appendix to this circular.

By order of the Board
Goldin Financial Holdings Limited
Pan Sutong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.



GOLDIN FINANCIAL HOLDINGS LIMITED

高銀金融（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 530)

23 January 2013

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF A DOMESTIC FACTORING AGREEMENT

We have been appointed as members of the Independent Board Committee to advise you in respect of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 23 January 2013 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from Quam Capital set out on pages 21 to 40 of the Circular, containing its advice to us and the Independent Shareholders on whether or not the terms of the Domestic Factoring Agreement and the Continuing Connected Transactions are normal commercial terms, and together with the Annual Caps, 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. Your attention is also drawn to the letter from the Board set out on pages 4 to 19 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the advice and recommendation of Quam Capital, we consider that the transactions contemplated under the Domestic Factoring Agreement and the Continuing Connected Transactions are on normal commercial terms and together with the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,

Independent Board Committee

Tang Yiu Wing

Hui Wai Man, Shirley

Gao Min

Independent non-executive Directors

** for identification purposes only*

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.



Quam Capital Limited

A Member of The Quam Group

23 January 2013

*To the Independent Board Committee and
the Independent Shareholders*

Goldin Financial Holdings Limited
23/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF A DOMESTIC FACTORING AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 23 January 2013 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 13 December 2012, Goldin Factoring China, an indirect wholly-owned subsidiary of the Company, entered into the Domestic Factoring Agreement with Matsunichi Digital in respect of the provision of non-recourse factoring services by Goldin Factoring China for a fixed term commencing from the Effective Date to 30 June 2015. As at the Latest Practicable Date, Matsunichi Digital was beneficially owned by Mr. Pan. Mr. Pan is a non-executive Director, the Chairman of the Board and the controlling Shareholder and thus Matsunichi Digital, being the associate of Mr. Pan, is a connected person of the Company. In addition, Mr. Zhou is a common director of Matsunichi Digital and the Company and is therefore a connected person of the Company. The transactions contemplated under the Domestic Factoring Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM QUAM CAPITAL

Mr. Tang Yiu Wing, Ms. Hui Wai Man, Shirley and Ms. Gao Min, all being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the transactions contemplated under the Domestic Factoring Agreement and the Continuing Connected Transactions are on normal commercial terms and together with the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the Group, the Directors and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Company, the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the terms of the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, we have taken into consideration of the following factors and reasons:

1. Background of and reasons for the Continuing Connected Transactions

The Company is an investment holding company and its subsidiaries are engaged in factoring business, financial investments and related activities, wine business and property development and investment. Goldin Factoring China, an indirect wholly-owned subsidiary of the Company, is the factoring arm of the Group.

LETTER FROM QUAM CAPITAL

Matsunichi Digital is principally engaged in manufacturing, research and development of advanced electronic products in Hong Kong, the PRC and the United States. It is stated in the Letter from the Board that, as advised by the management of Matsunichi Digital, the principal products sold by Matsunichi Digital are electronic hardware including but not limited to tablet computers and smart phones and the major customers of Matsunichi Digital are international companies in the United States and the PRC principally engaged in the sales of electronic hardware and/or consumer goods, some of which are listed companies with no history of default. According to the website of the National Bureau of Statistics of China, the retails sales of communication appliances increased from approximately RMB64 billion in 2009 to approximately RMB107 billion in 2011, representing a compound annual growth rate of approximately of 29.3%.

On 13 December 2012, Goldin Factoring China entered into the Domestic Factoring Agreement with Matsunichi Digital in respect of the provision of non-recourse factoring services by Goldin Factoring China for a fixed term commencing from the Effective Date to 30 June 2015.

According to the annual report of the Company for the year ended 30 June 2012 (the “**Annual Report**”), the Group generated revenue from the factoring business segment of approximately HK\$112.9 million, which represents 73.7% of the total revenue of the Group for the year ended 30 June 2012, and the factoring business segment of the Group recorded a profit margin of approximately 64.3% before corporate administrative expenses and finance costs.

As referred to in the Annual Report, the Group planned to devote more resources to its China factoring business by increasing the capital base of Goldin Factoring China as the existing registered capital of Goldin Factoring China has almost been fully applied in the factoring business, which limited the Group to provide further advances to its existing and potential customers and therefore restricted its business growth. To facilitate the growth of the factoring business of the Group, as set out in the announcement of the Company dated 3 August 2012, the Group has applied for a capital increase of US\$300 million in the registered capital of Goldin Factoring China and such application has been approved by Shanghai Municipal People’s Government on 2 August 2012. According to the prospectus of the Company dated 16 November 2012, upon completion of the Rights Issue, part of the cash proceeds of approximately HK\$1,550 million (equivalent to approximately US\$200 million) will be used for the capital contribution to increase the registered capital of Goldin Factoring China to approximately US\$299.7 million. According to the management of the Company, as at the Latest Practicable Date, US\$200 million has been injected to Goldin Factoring China for the increase in its registered capital.

As set out in the Letter from the Board, the Group will also raise further financing for its factoring operation through various ways including but not limited to bank and other borrowings to further increase the registered capital of Goldin Factoring China to approximately US\$399.7 million (equivalent to approximately HK\$3,109.7 million) and/or make further factoring arrangements with financial institutions in order to enhance the financial flexibility of the Group. It is also stated in the Letter from the Board that the prepayment period of the Account Receivable is expected to be around 90 days, and it is assumed that the fund available for Goldin Factoring China for its operation of the factoring business can be revolved up to four times per year.

LETTER FROM QUAM CAPITAL

According to the management of the Company, the Group currently only provides international factoring services and has two customers under international factoring which are companies principally engaged in the manufacturing and sale of electronic hardware in the PRC, and thus the entering into of the Domestic Factoring Agreements can broaden the Group's business horizon to domestic factoring in the PRC (details of the difference between international factoring and domestic factoring are set out in the paragraph headed "International factoring and domestic factoring" under the section headed "2. Principal terms of the Domestic Factoring Agreement" below). As set out in the Letter from the Board, the Group will continue its existing international factoring business through Goldin Factoring Limited, the Hong Kong factoring arm of the Group and may further expand when sufficient fund is available, and Goldin Factoring China would plan to extend its domestic factoring services to the PRC customers other than Matsunichi Digital depending on the availability of fund of Goldin Factoring China and the terms of the factoring arrangements with financial institutions.

As set out in the Letter from the Board, under the non-recourse factoring services, Goldin Factoring China, being the factor, will assume the risk of non-payment of the Buyer for the Account Receivables due to insolvency during the prepayment period. According to the Domestic Factoring Agreement, prior to the acquisition of each Account Receivable, Matsunichi Digital is required to enter into the Insurance Contract for the Account Receivables with the insurance fee to be paid by Matsunichi Digital. As set out in the Letter from the Board, Goldin Factoring China will normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for 90% for such insurance sum to be the credit risk of the Buyer, and in any case the insurance claim amount will not be less than the prepayment amount granted by Goldin Factoring China in satisfying itself in the acceptance of the Account Receivable.

Having considered (i) the factoring business segment is one of the major sources of revenue of the Group with profit margin of approximately 64.3% before corporate administrative expenses and finance costs for the year ended 30 June 2012; (ii) the available fund of Goldin Factoring China for its factoring business (including the registered capital of Goldin Factoring China and the factoring arrangements with financial institutions) and the revolving nature of the fund available for Goldin Factoring China; (iii) notwithstanding the factoring services to be provided to Matsunichi Digital is non-recourse in nature, the entering into of the Insurance Contract will lower the risk exposure to the Group; (iv) the growth of retails sales of communication appliances in the PRC according to the statistics of the National Bureau of Statistics of China; (v) the Continuing Connected Transactions are revenue in nature; and (vi) the entering into of the Domestic Factoring Agreement will enable the Group to extend its business to domestic factoring and establish new business relationship with Matsunichi Digital which in turn generate additional revenue for the Group, we are of the view that the entering into of the Domestic Factoring Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

2. Principal terms of the Domestic Factoring Agreement

Set out below are the principal terms of the Domestic Factoring Agreement:

Subject matter : Subject to Goldin Factoring China being satisfied with the relevant due diligence assessment in respect of each Account Receivable, Goldin Factoring China will acquire from Matsunichi Digital and Matsunichi Digital will assign to Goldin Factoring China the Account Receivable and Goldin Factoring China will, after deducting the factoring handling fee, prepay Matsunichi Digital before the invoiced due date an amount equivalent to the face invoiced amount of the Account Receivable multiplied by the agreed prepayment ratio to which the Account Receivable relates.

Pursuant to the factoring arrangements under the Domestic Factoring Agreement, the factored Account Receivables would be settled directly to Matsunichi Digital by the Buyer and Matsunichi Digital shall transfer the same amount to Goldin Factoring China. This settlement arrangement is consistent with the industrial practice for factoring houses, where their clients will transfer the amount received from the buyer for the account receivables to the factor under non-recourse factoring arrangements in the PRC. Subject to Goldin Factoring China being satisfied with the relevant due diligence assessment that no consent is required from the Buyer, the factoring arrangements under the Domestic Factoring Agreement are legally enforceable under the relevant law and regulations.

Due diligence assessment procedures : Prior to the acquisition of each Account Receivable, Goldin Factoring China will conduct a series of due diligence assessment procedures including but not limited to the following:

- (1) the application made by Matsunichi Digital in respect of the non-recourse factoring services for each Account Receivable in form satisfactory to Goldin Factoring China;
- (2) the acceptance in form satisfactory to Goldin Factoring China by Matsunichi Digital of the confirmation letter issued by Goldin Factoring China in respect of the acquisition of the Account Receivable;

LETTER FROM QUAM CAPITAL

- (3) the provision of the assignment of the Account Receivable by Matsunichi Digital in form satisfactory to Goldin Factoring China after the acceptance as mentioned in procedure (2) above;
- (4) the provision of the list of authorised persons to sign the relevant documents under the Domestic Factoring Agreement by Matsunichi Digital and their signature samples;
- (5) the provision of the relevant commercial documents and invoices by Matsunichi Digital including but not limited to the sales contracts, value-added tax invoices, delivery note (if any), Insurance Contract and other documents for Goldin Factoring China's assessment;
- (6) the entering into of the Insurance Contract for the Account Receivable and the payment of the insurance fee thereto by Matsunichi Digital; and
- (7) the transfer of benefit of the Insurance Contract to Goldin Factoring China by Matsunichi Digital by way of the signing of a transfer agreement among Goldin Factoring China, Matsunichi Digital and the Insurance Company.

Prepayment ratio : An agreed percentage of the face invoiced amount of each Account Receivable to be determined on a case-by-case basis which will be used for the determination of the amount of prepayment in respect of each Account Receivable to be made by Goldin Factoring China to Matsunichi Digital.

Prepayment period : The prepayment period of the Account Receivable refers to the period commencing from the date on which the prepayment of the Account Receivable is made to Matsunichi Digital by Goldin Factoring China until the expiry of the agreed grace period after the invoice due date. The agreed grace period refers to an additional period which is to be determined with reference to the term granted by the Insurance Company under the Insurance Contract and will be in any case not more than 180 days.

LETTER FROM QUAM CAPITAL

Discounting charge : The discounting charge as a prepayment finance fee charged by Goldin Factoring China will be calculated as follows:

A: Discounting charge

B: Face invoiced amount of the Account Receivable

C: Prepayment ratio (%)

D: Standard rate promulgated by the People's Bank of China from time to time for RMB loans with corresponding prepayment period as at the date on which the prepayment of the Account Receivable is made, and with a floating upward or downward rate to such standard rate to be fixed after Goldin Factoring China's assessment (%)

E: Number of days of the prepayment period

$$A = B \times C \times \frac{D}{360} \times E$$

Factoring handling fee : An agreed service charge payable by Matsunichi Digital to Goldin Factoring China for the provision of the factoring service will be determined on a case-by-case basis which will represent a percentage of the face invoiced amount of the Account Receivable

Term : Commencing from the Effective Date and, unless otherwise early terminated by the parties, up to 30 June 2015 (both days inclusive)

Recovery and re-assignment clauses : If the Account Receivable or any part of it still remains outstanding after the expiry of the prepayment period, Matsunichi Digital shall take all actions at its best effort to assist Goldin Factoring China in recovering the Account Receivable including but not limited to the making of any claim under the Insurance Contract to which the Account Receivable relates.

If the Buyer settles the Account Receivables on or before the expiry of the prepayment period, the balance (if any) of the Account Receivables, after deducting the discounting charge, factoring handling fee and any other applicable fees, shall belong to Matsunichi Digital.

LETTER FROM QUAM CAPITAL

Goldin Factoring China has the rights to re-assign all or part of the acquired Account Receivable to Matsunichi Digital and require Matsunichi Digital to pay the relevant discounting charge and factoring handling fee upon the occurrence of the following:

- (1) any breach by Matsunichi Digital of sales contract, or any dispute or controversy under the sales contract leading to failure of payment by the Buyer on the invoiced due date;
- (2) any breach by Matsunichi Digital of Insurance Contract, the transfer agreement for transferring the benefit of the Insurance Contract or other formal agreements entered into among Goldin Factoring China, Matsunichi Digital and the Insurance Company leading to failure of obtaining the claim under the Insurance Contract by Goldin Factoring China;
- (3) any court preserving measure, seize or freeze by competent authority or administrative or executive order with similar level of authority leading to failure of obtaining the claim by Goldin Factoring China;
- (4) any fraud by Matsunichi Digital that the Account Receivable assigned to Goldin Factoring China is not incurred from transaction conducted properly;
- (5) the Account Receivable assigned to Goldin Factoring China is not a Qualified Account Receivable;
- (6) the failure of Matsunichi Digital to perform contractual obligations or any breach by Matsunichi Digital in its representations and undertakings;
- (7) any charges by the Insurance Company incurred in insurance claim settlement; and
- (8) the failure to receive claim from Insurance Company due to insurance exceptions.

LETTER FROM QUAM CAPITAL

Remedies payable by Matsunichi Digital to Goldin Factoring China : Matsunichi Digital will be responsible for all litigation costs, attorney's fees, notary fees and expenses relating to insurance claim which will be incurred as a result from the recovery of the Account Receivable.

In the event that any occurrence of the abovementioned recovery and/or re-assignment clauses leading to the failure of the payment by the Buyer on the invoice due date or the unsuccessful claim against the Insurance Company, Matsunichi Digital undertakes to return the prepayment amount of the factored Account Receivables and the relevant cost (if any) to Goldin Factoring China upon its request.

Risk assessment on and acceptance of the Account Receivables

As set out in the Letter from the Board, Goldin Factoring China will consider various factors including but not limited to the background, the financial position and the credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable during the assessment of the application and acceptance of each Account Receivable and the credit risks associated with each Account Receivable. A series of searches and analysis such as company searches, litigation checkings, anti-money laundering and terrorist financing investigations and financial analysis of Matsunichi Digital and aging analysis of Account Receivable will be conducted during such assessment procedures. The credit standing of Matsunichi Digital will be determined based on the results of its financial analysis. Such financial analysis will be carried out by Goldin Factoring China after taking into account the parameters such as sales trend, historical profitability, liquidity, equity strength, gearing, cash flow position, which are also the standard parameters when determining the credit standing of other clients. Based on the abovementioned factors, searches, analysis and documents provided by Matsunichi Digital for due diligence purposes, Goldin Factoring China will assess if the Account Receivable is a Qualified Account Receivable, as well as the reasonableness of the terms of the relevant sales contracts.

We have discussed with the management of the Company and understand that, in satisfying itself in respect of the application and acceptance in respect of the Account Receivables, Goldin Factoring China will only accept and provide financing in respect of Qualified Account Receivables, and the acceptance is also determined based on (i) the reasonableness of the terms of the relevant sales contracts, including but not limited to the credit terms and delivery terms of the sales contracts; (ii) the amount of Account Receivables has already assigned to Goldin Factoring China; (iii) the background and financial position of Matsunichi Digital; and (iv) the insurance coverage granted by the Insurance Company.

LETTER FROM QUAM CAPITAL

Pursuant to the Domestic Factoring Agreement, prior to the acquisition of each Account Receivable, Matsunichi Digital is required to enter into the Insurance Contract for the Account Receivable with the insurance fee to be paid by Matsunichi Digital. As set out in the Letter from the Board, the principal terms of the Insurance Contract including the insured sum and/or coverage will be varied for each Account Receivable, and the insurance coverage granted by the Insurance Company will be determined with reference to the amount of the insured sum and the credit standing of the Buyer which will be determined by the Insurance Company based on factors including but not limited to the background and financial position of the Buyer. The Pre-Approved Insurance Company is a PRC state-owned insurance company and was established in 2001 to provide domestic trade and export credit insurance, with an insured sum of approximately US\$253.89 billion in 2011. According to the Letter from the Board, given the aforesaid background of the Pre-Approved Insurance Company and it is the industrial practice to engage with the Insurance Company for the factoring services in the PRC, the Pre-Approved Insurance Company is selected to provide the insurance services under the Domestic Factoring Agreement.

Notwithstanding there is no minimum insurance sum and insurance coverage required in accepting the Account Receivables under the Domestic Factoring Agreement, as stated in the Letter from the Board, Goldin Factoring China will normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for 90% for such insurance sum to be of the credit risk of the Buyer, which is in line with industrial practice, and in any case the insurance claim amount will not be less than the prepayment amount granted by Goldin Factoring China in satisfying itself in the acceptance of the Account Receivable, and this practice will also be applied when considering other independent third parties under domestic factoring services in the PRC.

Having considered that (i) the risk associated with each Account Receivable applied by Matsunichi Digital mainly depends on the credit standing of the Buyer which is determined by the Insurance Company and the Insurance Company would normally grant the insurance coverage according to the credit standing of the Buyer; (ii) Goldin Factoring China will normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for 90% for such insurance sum to be the credit risk of the Buyer and in any case the insurance claim amount will not be less than the prepayment amount granted by Goldin Factoring China in satisfying itself in the acceptance of the Account Receivable; and (iii) the acceptance of the Account Receivables is also determined based on the reasonableness of the terms of the relevant sales contracts, the amount of the Account Receivables has already assigned to Goldin Factoring China and the background and financial position of Matsunichi Digital, we are of the view that the risk assessment on and the acceptance of the Account Receivables is reasonable.

LETTER FROM QUAM CAPITAL

International factoring and domestic factoring

The Group currently only provides international factoring services (all of which are non-recourse in nature) to its customers while the factoring services to be provided to Matsunichi Digital under the Domestic Factoring Agreement is domestic non-recourse factoring in nature.

We understand from the management of the Company that domestic factoring refers to the factoring services offering to the sellers for their domestic sales (i.e. the buyers are located in the same country as the sellers) while international factoring refers to factoring services offering to sellers for their export sales. Under international factoring, the sellers are normally known as “export sellers”, the overseas customers of the export sellers are normally known as “overseas buyers”, the factors offering the factoring services to export sellers are normally known as “export factors” and the factors underwriting the credit risk of the overseas buyers (i.e. to provide insurance coverage for the default of the overseas buyers for settling the factored account receivables) are normally known as “import factors”.

As set out in the Letter from the Board, under non-recourse domestic factoring services, the factor will acquire the account receivable from the seller and will assume the non-payment risk of buyer for account receivable due to insolvency. According to industrial practice, the factor will normally require the seller to engage with a third party insurance company to lower the risk exposure of the factor in respect of the credit risk of the buyer under domestic factoring. Under non-recourse international factoring services, the export factor acquires the account receivables from the export seller and provides credit risk protection to the export sellers. Due to the limited knowledge of the export factor on the overseas buyers and the difficulty in collection of overdue account receivables from overseas buyers, the export factor will normally engage an import factor, which underwrites the credit risk of the overseas buyer and is also responsible for collection of outstanding invoices in accordance with the sales contract entered into between the export seller and the overseas buyer. The import factor will then transfer the same amount of outstanding invoices as collected from the overseas buyer to the export factor. If the account receivable still remains outstanding after 90 days from the invoice due date, the import factor will pay 100% of the invoice value under guarantee. Goldin Factoring China currently offers non-notification factoring to its customers, which the export seller collects the full invoice amount on the invoice due date and transfer the same amount to the export factor and the import factor will only collect overdue account receivables from overseas buyers. Where the import factor is involved under the international factoring, Goldin Factoring China will increase the factoring handling fee to the seller by the same percentage as charged by the import factor and relevant administrative expense to reflect the extra cost incurred from the engagement with the import factor by Goldin Factoring China.

LETTER FROM QUAM CAPITAL

According to the website of Factors Chain International (“**FCI**”), a global network of factoring companies with 259 factors in 72 countries and which Goldin Factoring Limited (the Hong Kong factoring arm of the Group) is a member of FCI, typically, the export factoring services carried out by members of FCI involves the following five or six stage operation:

- The exporter⁽¹⁾ signs a factoring contract assigning all agreed receivables to an export factor. The factor then becomes responsible for all aspects of the factoring operation.
- The export factor chooses an FCI correspondent to serve as an import factor in the country where goods are to be shipped. The receivables are then assigned to the import factor.
- At the same time, the import factor investigates the credit standing of the buyer⁽²⁾ of the exporter’s⁽¹⁾ goods and establishes lines of credit. This allows the buyer⁽²⁾ to place an order on open account terms without opening letters of credit.
- Once the goods have been shipped, the export factor may advance up to 80% of the invoice value to the exporter⁽¹⁾.
- ⁽³⁾Once the sale has taken place, the import factor collects the full invoice value at maturity and is responsible for the swift transmission of funds to the export factor who then pays the exporter⁽¹⁾ the outstanding balance.
- If after 90 days past due date an approved invoice remains unpaid, the import factor will pay 100% of the invoice value under guarantee.

Notes:

- (1) or known as export sellers
- (2) or known as overseas buyers
- (3) Goldin Factoring China currently offers non-notification factoring to its customers, which the export seller collects the full invoice value at maturity and transmits the funds to the export factor.

LETTER FROM QUAM CAPITAL

Principal terms of the domestic factoring services and international factoring services

Given Matsunichi Digital will become the first customer for the domestic factoring business of Goldin Factoring China and no domestic factoring agreement has been signed with its existing customers so far, in assessing the reasonableness and fairness of the terms of the Domestic Factoring Agreement, we have taken into account the terms offered by Goldin Factoring China under the international factoring business.

As set out in the Letter from the Board, below is the comparison of the principal terms between the domestic factoring services to be provided to Matsunichi Digital and the international factoring services offered to independent third parties:

	Domestic factoring services to be provided to Matsunichi Digital	International factoring services
Prepayment ratio	A range of 85% to 100% for large corporations while a range of 50% to 85% for small to medium-sized enterprises which is normally considered by Goldin Factoring China as internal reference during the assessment procedures.	Same as the basis as considered under Domestic Factoring Agreement.
Discounting charge	<p>The discounting charge as a prepayment finance fee charged by Goldin Factoring China will be calculated as follows:</p> <p>A: Discounting charge</p> <p>B: Face invoiced amount of the Account Receivable</p> <p>C: Prepayment ratio (%)</p> <p>D: Standard rate promulgated by the People's Bank of China from time to time for RMB loans with corresponding prepayment period as at the date on which the prepayment of the Account Receivable is made, and with a floating upward or downward rate to such standard rate to be fixed after Goldin Factoring China's assessment (%)</p> <p>E: Number of days of the prepayment period</p>	Same as that offered under Domestic Factoring Agreement except the parameter of the standard rate promulgated by the People's Bank of China will be replaced by LIBOR.

$$A = B \times C \times \frac{D}{360} \times E$$

LETTER FROM QUAM CAPITAL

Factoring handling fee	The percentage as represented for the factoring handling fee will fall within the range which is normally considered by Goldin Factoring China as internal reference during the assessment procedures, and shall be equivalent to that offered to independent third parties with same credit standing, same percentage of insurance cover and account receivable of similar nature	same as the basis as considered under Domestic Factoring Agreement, except that on the import factor is involved, and an additional fee will be charged to reflect the extra cost incurred from the engagement with the import factor.
Insurance sum and coverage	Normally require the insurance sum to be the full amount of the Account Receivable and the insurance coverage for 90% for such insurance sum to be the credit risk of the Buyer	Under international factoring services currently provided by the Group, an import factor will be engaged to underwrite the credit risk of the overseas buyer and to collect the overdue account receivable. The credit risk of the overseas buyer is underwritten by the import factor and therefore no insurance contract is required
Recovery and/or claim to be made by the Company in case of default	<p>If the Account Receivable or any part of it still remains outstanding after the expiry of the prepayment period, which shall be ranged from 90 to 180 days after the invoice due date, depending on the term of the insurance coverage granted by the Insurance Company, Matsunichi Digital shall take all actions at its best effort to assist Goldin Factoring China in recovering the Account Receivable including but not limited to the making of any claim under the Insurance Contract to which the Account Receivable relates.</p> <p>In the event of any occurrence of the recovery and/or re-assignment clauses as stated under the Domestic Factoring Agreement, including but not limited to any dispute, controversy or breaches of client under the sales contract, leading to the failure of the payment by the Buyer on the invoice due date or the unsuccessful claim against the Insurance Company, Matsunichi Digital undertakes to return the prepayment amount of the factored Account Receivables and the relevant cost (if any) to Goldin Factoring China upon its request.</p>	<p>Goldin Factoring China has the right to make the claims from the import factors if, among other things, the account receivable or any part of it still remains outstanding after 90 days from the invoice due date.</p> <p>In the event of any occurrence of any dispute, controversy or breaches of export seller under the sales contract leading to the failure of the payment by the buyer on the invoice due date, the export seller will return the prepayment amount of the factored account receivables to Goldin Factoring China and if such dispute, controversy or breaches occurs within 180 days from the invoice due date and after the claim payment made from the import factor to the export seller, the export seller is required to repay the claim payment and other relevant charges.</p>

LETTER FROM QUAM CAPITAL

It is also stated in the Letter from the Board that the terms of the Domestic Factoring Agreement including the prepayment ratio and the prepayment period granted and the discounting charge and the factoring handling fee charged by Goldin Factoring China to Matsunichi Digital, which will be determined after due diligence assessment by Goldin Factoring China based on various factors including but not limited to the background, the financial position and the credit standing of Matsunichi Digital, and insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable, will be no more favourable than those available to other independent third parties with account receivable of similar nature with insurance coverage and client of similar rating. In addition to the abovementioned due diligence assessment procedures, which are consistent with those for independent third parties involved in the Company's factoring business, Goldin Factoring China will compare the terms of the Domestic Factoring Agreement including but not limited to the prepayment ratio, the prepayment period, the discounting charges and the factoring handling fees with those offered to independent third parties with Account Receivable with similar nature and client of similar rating from time to time to ensure such terms are normal commercial terms and no less favourable to the Company.

We understand from the management of the Company that, to consider the above factors, Goldin Factoring China would also rely on, among other things, (i) the company searches, litigation searches and credit searches conducted by search agents; (ii) the credit standing of the Buyer determined by the Insurance Company; (iii) the financial information of Matsunichi Digital; and (iv) the coverage of the credit insurance for associated credit risk of the Account Receivables.

According to the Letter from the Board, the prepayment ratio shall be determined based on various factors including but not limited to the background, the financial position and credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable, and usually, a prepayment ratio ranging from 85% to 95% (and in any case not more than 100%) will be granted when considering large corporations while a prepayment ratio ranging from 50% to 85% will be granted when considering small to medium-sized enterprises. A higher prepayment ratio will be granted to client with better market reputation, financial position, higher credit standing and higher percentage of insurance cover and a longer prepayment period will be usually granted for Account Receivables with a longer invoice due date. The aforesaid factors will be considered as a whole by the senior staff of Goldin Factoring China based on their experiences and current market condition when determining the prepayment ratio. Such senior staffs have more than 7-year experience in the factoring industry and/or financial management. According to the management of the Company, based on the internal assessment of Goldin Factoring China, Matsunichi Digital will be regarded as large corporations, and a prepayment ratio ranging from 85% to 100% is expected to be granted under the Domestic Factoring Agreement, subject to the insurance coverage granted by the Insurance Company.

LETTER FROM QUAM CAPITAL

It is also stated in the Letter from the Board that factoring handling fee shall be determined based on various factors including but not limited to the credit standing of Matsunichi Digital, insurance cover taken out by Matsunichi Digital in respect of relevant Account Receivable, the face value of the Account Receivable and number of invoice, and a lower factoring handling fee will be charged to clients with higher credit standing, higher percentage of insurance cover, higher face value of the Account Receivable and smaller number of invoice. And, the percentage as represented for factoring handling fee will fall within the range which is normally considered by Goldin Factoring China as internal reference during the assessment procedures under both domestic and international factoring services (in case of international factoring services, additional fee will be charged where import factor is involved), and shall be equivalent to that offered to independent third parties with same credit standing, same percentage of insurance cover and account receivables of similar nature.

We have further discussed with the Company and understand that, when determining the prepayment ratios, discounting charge and factoring handling fee of the Account Receivables, Goldin Factoring China may also compare those terms offered to independent third parties under similar nature of factoring services provided (e.g. recourse/ non-recourse; with/ without notification) and with similar rating (i.e. large corporations/ small to medium-sized enterprises) and same level of insurance coverage.

We reviewed the prepayment ratio and factoring handling fees (net of the fees charged by the import factors and relevant administrative expense) offered by Goldin Factoring China to its existing customers (which, based on the internal assessment of Goldin Factoring China, are regarded as large corporations) and note that the terms offered to its existing customers are in accordance with the internal reference (being the range of prepayment ratio and factoring handling fees normally offers to large corporations) of Goldin Factoring China. We further understand from the management of the Company that the same internal reference will also apply on determining the prepayment ratio and factoring handling fees to be offered to Matsunichi Digital under the Domestic Factoring Agreement.

We note from the Letter from the Board that the discounting charge is calculated based on the face invoiced amount of the Account Receivable, prepayment ratio, number of days of the prepayment period and a floating upward or downward rate to the standard rate promulgated by the People's Bank of China ("**PBOC Standard Rate**") from time to time for RMB loans. It is stated in the Letter from the Board that it is the industrial practice that the PBOC Standard Rate is used as parameter in calculating the discounting charge under domestic factoring services in the PRC. We reviewed certain announcements ("**Sample Announcements**") of companies listed in Shenzhen Stock Exchange and Shanghai Stock Exchange in relation to the entering into of the non-recourse domestic factoring services with banks as follows:

LETTER FROM QUAM CAPITAL

Stock code	Company name	Terms of factoring services disclosed
600308.SH	山東華泰紙業股份有限公司 (*Shandong Huatai Paper Company Limited)	<ul style="list-style-type: none"> (i) Nature of factoring: non-recourse factoring (ii) Factoring financing limit: RMB400 million (iii) Valid period of the limit: 6 months from the agreement (iv) Finance fee: calculated based on the PBOC Standard Rate on the prepayment date (v) Effective date of the agreement: agreement with official chops of the parties to the agreement and with the signatory of the authorised persons to the parties of the agreement
000411.SZ	浙江英特集團股份有限公司 (*Zhejiang International Group Limited)	<ul style="list-style-type: none"> (i) Nature of factoring: non-recourse factoring (ii) Factoring amount: RMB100 million (iii) Valid period of the limit: 1 year (iv) Financing charge: the factoring financing interest and fees are calculated based on the PBOC Standard Rate with downward or upward adjustment which will be determined according to the negotiation between the parties
000411.SZ	浙江英特集團股份有限公司 (*Zhejiang International Group Limited)	<ul style="list-style-type: none"> (i) Nature of factoring: non-recourse factoring (ii) Factoring amount: not exceeding RMB135 million from time to time and in aggregate not exceeding RMB200 million in 12 months (iii) Valid period of the limit: 12 months (iv) Financing charge: the factoring financing interest and fees are calculated based on the PBOC Standard Rate with downward or upward adjustment which will be determined according to the negotiation between the parties

LETTER FROM QUAM CAPITAL

Stock code	Company name	Terms of factoring services disclosed
000701.SZ	廈門信達股份有限公司 (*Xiamen Xindeco Limited)	(i) Nature of factoring: non-recourse factoring (ii) Factoring amount: in aggregate not exceeding RMB200 million (iii) Valid period of the limit: 12 months (iv) Financing charge: the factoring financing interest and fees are calculated based on the PBOC Standard Rate with downward or upward adjustment which will be determined according to the negotiation between the parties
300115.SZ	深圳市長盈精密技術股份有限公司 (*Shenzhen Evenwin Precision Technology Company Limited)	(i) Nature of factoring: non-recourse factoring (ii) Approved factoring limit: RMB50 million (iii) Valid period of the limit: determined by the bank (the limit is revolving in nature)_ (iv) Financing charge: to be determined by the bank based on each application

**for identification purpose only*

According to the above Sample Announcements, the finance fees charged were calculated with reference to the PBOC Standard Rate with upward or downward rate to such standard rate. As such, we consider it is fair and reasonable that the discounting charge under the Domestic Factoring Agreement is calculated based on, among other things, the PBOC Standard Rate.

Having considered that (i) the risk assessment on and the acceptance of the Account Receivables is reasonable; (ii) save for the role of import factors and Insurance Company and the relevant terms in relation to the import factors and Insurance Company, the principal terms of international factoring services offered to independent third parties and domestic factoring services to be offered to Matsunichi Digital are similar; (iii) the same internal reference in respect of factoring handling fee and prepayment ratios currently applies to the existing customers of Goldin Factoring China will also apply in determining the terms to be offered to Matsunichi Digital; (iv) the discounting charge calculated based on, among other things, the PBOC Standard Rate aligns with industry practice; (v) the terms of Domestic Factoring Agreement will be no more favourable than those available to other independent third parties with account receivable of similar nature with insurance coverage and client of similar rating; and (vi) the terms of the Domestic Factoring Agreement (including the prepayment ratio, prepayment period, discounting charge and factoring handling fee) will be determined based on, among other things, information such as company search, litigation search and credit search, the credit standing of the Buyer (which is determined by the Insurance Company) and the coverage of the Insurance Contract purchased from the Insurance Company by Matsunichi Digital, we are of the view that the terms of the Domestic Factoring Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

3. Annual Caps

The table below sets out the proposed Annual Caps under the Domestic Factoring Agreement for period from the Effective Date to 30 June 2013 and each of the two full financial years ending 30 June 2015:

	For the period from the Effective Date to 30 June 2013 (RMB billion)	For the year ending 30 June 2014 (RMB billion)	For the year ending 30 June 2015 (RMB billion)
Annual Caps	5.0 (equivalent to approximately HK\$6.2 billion)	12.0 (equivalent to approximately HK\$14.9 billion)	12.0 (equivalent to approximately HK\$14.9 billion)

According to the Letter from the Board, the proposed Annual Caps have been worked out with reference to (i) the historical revenue of Matsunichi Digital for the year ended 31 December 2011 and over the past nine months since January 2012; (ii) Matsunichi Digital's sales forecast for the years 2012-2015; (iii) the potential growth of electronics market in the PRC leading to the growth of business of Matsunichi Digital given the principal products sold by Matsunichi Digital are electronic hardware including but not limited to tablet computers and smart phones as advised by the management of Matsunichi Digital; (iv) the availability of capital funding for the factoring business of Goldin Factoring China.

In our assessment of the reasonableness and fairness of the Annual Caps, we have discussed with the management of the Company on the above factors and the underlying principal assumptions and bases considered in the determination of the Annual Caps including (i) the background and historical financial information of Matsunichi Digital; (ii) the basis of the sales forecast of Matsunichi Digital; (iii) the development and operation flow of the factoring business of the Group; and (iv) capital funding capacity of the Group. We concur with the view of the Board that it will be reasonable and in the interests of both the Company and the Shareholders to set the Annual Caps at the proposed levels, after taking into consideration the following:

- (i) the sales amount of Matsunichi Digital is the major indicator for the amount of Account Receivables to be assigned to Goldin Factoring China;
- (ii) the sales forecast of domestic sales of Matsunichi Digital for the years 2013-2015;
- (iii) the capital funding capacity of Goldin Factoring China, including but not limited to, (a) the increased registered capital of Goldin Factoring China and (b) other funding alternatives including borrowings and factoring arrangements with financial institutions (details of which are set out in the paragraph headed "Background of and reasons for the Continuing Connected Transactions" above); and

LETTER FROM QUAM CAPITAL

- (iv) the positive growth of the PRC economic and the electronic market in the PRC based on the statistic of the National Bureau of Statistics of China on (a) nominal gross domestic product per capita increased from approximately RMB25,125 in 2009 to approximately RMB34,999 in 2011, representing a compound annual growth rate of approximately 18.0%; and (b) the retails sales of communication appliances increased from approximately RMB64 billion in 2009 to approximately RMB107 billion in 2011, representing a compound annual growth rate of approximately of 29.3%.

Having considered the above, we are of the view that the Annual Caps are fair and reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):—

- the nature of the Continuing Connected Transactions and the core business of the Group;
- that the Continuing Connected Transactions are revenue generating in nature;
- that the entering into of the Domestic Factoring Agreement will enable the Group to extend its business to domestic factoring and establish new business relationship with Matsunichi Digital which in turn generate additional revenue for the Group;
- the risk assessment on and the acceptance of the Account Receivables is reasonable;
- save for the role of the import factors and Insurance Company and the relevant terms in relation to the import factors and the Insurance Company, the principal terms of international factoring services offered to independent third parties and domestic factoring services to be offered to Matsunichi Digital are similar;
- the same internal reference in respect of factoring handling fee and prepayment ratios currently applies to the existing customers of Goldin Factoring China will also apply in determining the terms to be offered to Matsunichi Digital;
- the terms of Domestic Factoring Agreement will be no more favourable than those available to other independent third parties with account receivable of similar nature with insurance coverage and client of similar rating; and
- the basis of determination of the Annual Caps is reasonable,

we consider that the entering into of the Domestic Factoring Agreement is in the ordinary and usual course of business of the Company on normal commercial terms and that the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this document 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 INTEREST

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, or which were required to be disclosed by the Hong Kong Code on Takeovers and Mergers were as follows:

Long position in Shares:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the total number of Shares in issue (Note 1)
Mr. Pan	Beneficial owner	157,825,000	2.26%
	Interest of controlled corporations	4,741,595,634 (Note 2)	67.98%
		4,899,420,634	70.24%
Mr. Zhou Dengchao	Beneficial owner	1,000,000	0.01%
Ms. Hou Qin	Beneficial owner	1,560,000	0.02%

Long position in share options of the Company:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercisable period (dd.mm.yyyy)	No. of options granted	Approximate percentage of the total number of Shares in issue (Note 1)
Ms. Hou Qin	22 July 2009	0.654	22.1.2010-21.7.2019	1,000,000	0.04%
			22.1.2011-21.7.2019	1,000,000	
			22.1.2012-21.7.2019	1,000,000	
Mr. Zhou Dengchao	22 July 2009	0.654	22.1.2010-21.7.2019	1,000,000	0.04%
			22.1.2011-21.7.2019	1,000,000	
			22.1.2012-21.7.2019	1,000,000	
Mr. Wong Hau Yan, Helvin	22 July 2009	0.654	22.1.2010-21.7.2019	1,000,000	0.04%
			22.1.2011-21.7.2019	1,000,000	
			22.1.2012-21.7.2019	1,000,000	

Notes:

- As at the Latest Practicable Date, there were 6,974,791,992 Shares in issue.
- The 4,741,595,634 Shares comprises 4,473,545,636 Shares, 43,390,000 Shares and 224,659,998 Shares held by Goldin Global Holdings Limited (“Goldin Global”), Clear Jade International Limited (“Clear Jade”) and Goldin Equities Limited (“Goldin Equities”) respectively. Mr. Pan is deemed to be interested in the 4,741,595,634 Shares by virtue of his interests in Goldin Global, Clear Jade and Goldin Equities, all of which are wholly and beneficially owned by Mr. Pan.

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

(b) Substantial shareholders' interests and short positions in the Shares or underlying shares of the Company

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the 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 or who were directly or indirectly interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in Shares

Name	Capacity	Total number of Shares or underlying Shares	Approximate percentage of the total number of Shares in issue (Note 1)
Goldin Global	Beneficial owner	4,473,545,636 (Note 2)	64.14%

Notes:

1. As at the Latest Practicable Date, there were 6,974,791,992 Shares in issue.
2. Goldin Global is directly and wholly owned by Goldin Investment Holdings Limited, which is directly and wholly owned by Goldin Real Estate Financial Holdings Limited. Goldin Real Estate Financial Holdings Limited is directly, wholly and beneficially owned by Mr. Pan. Mr. Lee Chi Chung, Harvey, being the executive Director, is also the vice chairman of Goldin Real Estate Financial Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

Save as disclosed above, as at the Latest Practicable Date, no Director or proposed director was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, the date to which the latest consolidated financial statements of the Group were made up.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

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

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save for the Domestic Factoring Agreement, there was no contract or arrangement in which any Directors was materially interested and which was significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30 June 2012 (the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Pan Sutong, being the non-executive Director and the Chairman of the Board, wholly and beneficially owned the entire issued share capital of Goldin Financial Global Square Limited which is the owner of a 11-storey industrial building having a gross floor area of approximately 311,700 square feet (excluding car parking spaces) located in Kowloon Bay, Kowloon, Hong Kong.

Save for the aforesaid, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Quam Capital	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

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

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

As at the Latest Practicable Date, Quam Capital was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2012, being the date of which the latest published audited accounts of the Company were made up.

9. MISCELLANEOUS

The English text of this circular prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 23/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours on any weekday other than Saturdays and public holidays from the date of this circular up to and including the date of the SGM:

- (a) the Domestic Factoring Agreement;
- (b) the letter from the Independent Board Committee in relation to the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, the text of which is set out on page 20 of this circular;
- (c) the letter from Quam Capital in relation to the Domestic Factoring Agreement, the Continuing Connected Transactions and the Annual Caps, the text of which is set out on pages 21 to 40 of this circular; and
- (d) the written consent referred to in the paragraph headed “Expert and consent” above.

NOTICE OF SPECIAL GENERAL MEETING



GOLDIN FINANCIAL HOLDINGS LIMITED

高銀金融(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 530)

NOTICE IS HEREBY GIVEN that a SPECIAL GENERAL MEETING (the “SGM”) of Goldin Financial Holdings Limited (the “Company”) will be held at 23/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, at 11:00 a.m. on Friday, 8 February 2013 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed, with or without modification, as ordinary resolution:

“**THAT,**

- (1) the agreement dated 13 December 2012 (the “**Domestic Factoring Agreement**”) entered into between 高銀保理(中國)發展有限公司 (Goldin Factoring (China) Development Limited*) and 松日數碼發展(深圳)有限公司 (Matsunichi Digital Development (Shenzhen) Company Limited*) (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the meeting for identification purpose) and the continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated thereunder be and are hereby approved, confirmed and ratified;
- (2) the proposed annual caps of the Domestic Factoring Agreement for the period from effective date, being the date on which all the conditions precedents to the Domestic Factoring Agreement are fulfilled to 30 June 2013 and each of the two financial years ending 30 June 2015, being RMB5.0 billion (equivalent to approximately HK\$6.2 billion), RMB12.0 billion (equivalent to approximately HK\$14.9 billion) and RMB12.0 billion (equivalent to approximately HK\$14.9 billion) respectively be and are hereby confirmed and approved; and
- (3) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the Domestic Factoring Agreement and the Continuing Connected Transactions.”

By order of the Board
Goldin Financial Holdings Limited
Pan Sutong
Chairman

Hong Kong, 23 January 2013

* for identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

Head office and principal place of business in Hong Kong:

23/F., Two International Finance Centre
8 Finance Street
Central
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A member may appoint not more than two proxies to attend on the same occasion. A form of proxy for use at the SGM is enclosed herewith.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
- (3) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Shares as if it/he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the SGM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (4) Completion and return of the form of proxy will not preclude members from attending and voting at the SGM or any adjourned meeting if they so wish. If a member attends the SGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
- (5) As at the date of this notice, Mr. Pan Sutong is the Chairman of the Board and a non-executive director of the Company; Mr. Wong Hau Yan, Helvin, Mr. Zhou Dengchao, Ms. Hou Qin, Mr. Lee Chi Chung, Harvey and Professor Huang Xiaojian are the executive directors of the Company; and Mr. Tang Yiu Wing, Ms. Hui Wai Man, Shirley and Ms. Gao Min are the independent non-executive directors of the Company.