

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Taung Gold International Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

**DISCLOSEABLE AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENTS TO
THE VENDOR FINANCING AGREEMENT**

A notice convening a Special General Meeting of Taung Gold International Limited to be held at Unit 1901, 19/F, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on 27 June 2018, Wednesday, at 11:00 a.m. is set out on pages 40 to 41 of 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 form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent members from attending and voting at the meeting if they so wish.

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DEFINITIONS

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

“Arctic Sun”	Arctic Sun Trading 56 (Pty) Ltd., a private company incorporated in South Africa with limited liability
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BEE Requirement”	the requirement for Taung Gold, a company primarily engaged in the exploration and/or development of mineral resources in South Africa, to have at least 26% of its issued shares beneficially owned either directly by HDSAs or by a Qualified BEE Company(ies)
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time, and a “Bye-law” shall be construed accordingly
“Charter”	The South African broad-based socio-economic empowerment charter for the mining industry adopted pursuant to the MPRDA
“Company”	Taung Gold International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Supplemental Agreement”	the first supplemental agreement to the Vendor Financing Agreement dated 24 April 2017, entered into between TGL and SepGold, relating to certain amendments to the Vendor Financing Agreement as announced in the Company’s announcement of the same date
“Group”	the Company and its Subsidiaries
“HDSA”	a historically disadvantaged South African as defined in the Charter read with the MPRDA
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang, established to advise the Independent Shareholders on the Transaction
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	in respect of the Transaction, Shareholders other than connected person and their respective associates
“Indonesia”	the Republic of Indonesia
“Latest Practicable Date”	4 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an interest-free loan provided by TGL to SepGold under the Vendor Financing Agreement, for the amount of approximately ZAR433 million (equivalent to approximately HK\$246 million)
“MPRDA”	the South African Mineral and Petroleum Resources Development Act 28 of 2002
“Qualified BEE Company”	a company controlled by HDSAs
“Repayment Date”	31 December 2020 as set out in the First Supplemental Agreement
“Revised Repayment Date”	31 December 2027 as set out in the Second Supplemental Agreement
“Second Supplemental Agreement”	the second supplemental agreement to the Vendor Financing Agreement dated 4 May 2018, entered into between TGL and SepGold, relating to amendment to the Repayment Date

DEFINITIONS

“Sephaku Group”	Sephaku Holdings Limited, a public company listed on the Stock Exchange of Johannesburg and registered and incorporated in accordance with the laws of South Africa, and its subsidiaries, joint ventures and associates
“SepGold”	Sephaku Gold Holdings (Pty) Ltd, a company incorporated in South Africa with limited liability
“SGM”	the special general meeting of the Company, notice of which is set out at the end of this Circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of Shares
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary of the Company (within the meaning of the Listing Rules)
“Taung Gold” or “TGL”	Taung Gold (Pty) Ltd, a company incorporated with limited liability in South Africa and the principal Subsidiary of the Company
“Taung Gold EPP”	Taung Gold EPP (Pty) Ltd, a company incorporated with limited liability in South Africa and is controlled by the Taung Gold EPP Trust
“Taung Gold EPP Trust”	Taung Gold EPP Trust, an employee participation plan trust duly registered under the laws of South Africa, the beneficiaries of which are and will be persons who carry out work for TGL and who are principally HDSAs
“TG Shares”	ordinary shares of ZAR0.001 each in the issued share capital of Taung Gold
“Transaction”	collectively, the Interest Waiver, the Clause 8 Deletion and the Extension as set out in the section headed “First Supplemental Agreement and Second Supplemental Agreement to the Vendor Financing Agreement” in the Letter from the Board of this circular

DEFINITIONS

“Vendor Financing Agreement”	the vendor financing agreement dated 22 July 2011 entered into between TGL and SepGold for the purpose of complying with the BEE Requirement pursuant to which TGL granted a loan of up to ZAR433 million to SepGold, to enable SepGold to subscribe for a maximum of 39,402,071 TG Shares as are necessary to meet the BEE Requirement
“ZAR”	South African rand, the lawful currency of South Africa
“%”	per cent

Sums expressed in ZAR in this Circular have been translated for illustration only into HK\$ at the rate of HK\$1.00 = ZAR1.76, and vice versa for illustration only. No representation is made that any amounts can be, were or could have been converted at the relevant dates at that or any other rate.

TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

Executive Directors:

Mr. Li Hok Yin (*Co-chairman*)
Mr. Christiaan Rudolph de Wet de Bruin (*Co-chairman*)
Mr. Neil Andrew Herrick
Ms. Cheung Pak Sum
Mr. Phen Chun Sing Vincent

Independent Non-Executive Directors:

Mr. Chong Man Hung Jeffrey
Mr. Li Kam Chung
Mr. Tsui Pang

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business:

Unit 1901, 19th Floor
Nina Tower
8 Yeung Uk Road
Tsuen Wan
New Territories
Hong Kong

6 June 2018

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENTS TO
THE VENDOR FINANCING AGREEMENT**

INTRODUCTION

Reference is made to the announcements of the Company dated 24 April 2017 and 4 May 2018 (the “**Announcements**”) in respect of the Transaction. The purpose of this circular is to provide you with, among other things, (i) further information about the proposed Transaction; (ii) recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the Special General Meeting.

BACKGROUND

Reference is made to the circular of the Company dated 28 July 2011 (the “**Circular**”) in relation to, among other things, the very substantial acquisition of up to 86.966% of TGL.

* For identification only

LETTER FROM THE BOARD

TGL is the Company's principal, and a non-wholly owned Subsidiary. It is a company primarily engaged in the exploration, development of mineral resources in South Africa. Under the Charter adopted pursuant to the provisions of Section 100(2) of the MPRDA, TGL must have at least 26% of its issued shares beneficially owned either directly by HDSAs or by a Qualified BEE Company(ies). The current TGL board consists of Dr. Lelau Mohuba, non-executive chairman, Mr. Li Kam Chung, non-executive director, Mr Neil Andrew Herrick, executive director and Mr. Phen Chun Sing Vincent, non-executive director.

Arctic Sun qualifies as a Qualified BEE Company because approximately 50.1% of its shares are held by several HDSAs. The remaining 49.9% shareholding in Arctic Sun is held indirectly by the Company. Taung Gold EPP also qualifies as a Qualified BEE Company because approximately 50.1% of its shares are held by the Taung Gold EPP Trust, a trust formed principally for the benefit of HDSAs. The remaining 49.9% shareholding in the Taung Gold EPP is held indirectly by the Company. Other than its direct or indirect interest in TGL, neither Arctic Sun nor Taung Gold EPP has any material assets or liabilities. As at the Latest Practicable Date, SepGold and Taung Gold EPP hold respectively 24.02% and 1.98% of the issued share capital of TGL, thus TGL has 26% of its issued shares (in aggregate) beneficially owned by Qualified BEE Companies, compliant with the Charter adopted pursuant to the provisions of Section 100(2) of the MPRDA.

Given the background and the history of TGL and SepGold, the shareholding interest in TGL is the only asset of SepGold. It is not an income-generating company and is unlikely to receive any dividends from TGL for at least the next 7 years.

SepGold is, pursuant to the terms of the Vendor Financing Agreement, prohibited from disposing of the TG Shares to any non-HDSA person for so long as the BEE Requirement in South Africa is in force.

The directors of TGL, after giving due consideration to the importance of SepGold's role in TGL's ongoing regulatory compliance, as well as to the economic reality of SepGold's current inability to repay the Loan, initiated the proposed amendments under the First Supplemental Agreement and later the Second Supplemental Agreement, all of which were approved by the Board for the reasons set out in the section headed "Reasons and benefits of the Transaction" in the Letter from the Board in this circular.

LETTER FROM THE BOARD

THE VENDOR FINANCING AGREEMENT

On 22 July 2011, TGL and SepGold entered into the Vendor Financing Agreement. Pursuant to the Vendor Financing Agreement, TGL provided to SepGold by way of loan an amount of approximately ZAR433 million (equivalent to approximately HK\$246 million) to enable it to subscribe for up to 39,402,071 TG Shares to satisfy the BEE Requirement. The Vendor Financing Agreement has no expiration date, but it will be terminated upon full repayment of the Loan, which was originally due on 31 December 2014 before being extended to 31 December 2020 by the First Supplemental Agreement. Pursuant to Clause 8 of the Vendor Financing Agreement, if the Loan was not repaid in full by 31 December 2014, interest will be accrued at the prime rate quoted by the ABSA Bank from time to time plus 4% compounded annually in arrears, and the Loan and the Vendor Financing Agreement will continue to take effect until the full repayment of the Loan. The main reason for charging interest on overdue Loan was to provide SepGold with an incentive to repay the Loan on or before the original due date (i.e. 31 December 2014). The original due date was set at 31 December 2014 because at the time the Vendor Financing Agreement was entered into, the Company was under the expectation that the BEE Requirement will be relaxed on or before the end of 2014 and with the relaxation of the BEE Requirement, it will be relatively easy for SepGold to sell its TG Shares to either HDSAs or non-HDSAs as a means of funding to repay the Loan. In addition, the Company, with reference to the original projected timeline of TGL's mining project, anticipated that TGL might start to generate cash from its mining projects and SepGold could subsequently be entitled to dividends, which could be used to repay the Loan. It was with such anticipation in mind that the Company was confident that the SepGold would be able to repay the Loan on or before the original due date. No events of default clause has been included in the Vendor Financing Agreement.

The Loan was not repaid by 31 December 2014 and as a result, interest in the amount of approximately ZAR72 million (equivalent to approximately HK\$40.9 million) (the "**Interest Accrual 1**") accrued on the Loan for the period from 1 January 2015 to 31 March 2016. By 31 March 2017, SepGold repaid ZAR17 million (equivalent to approximately HK\$9.7 million) to TGL for partial settlement of the Loan, following the repayment, the outstanding principal amount of the Loan (excluding any accrued interest) was approximately ZAR416 million (equivalent to approximately HK\$236 million) as at 31 March 2017. Separately, interest accrued on the outstanding principal amount of the Loan and Interest Accrual 1 reached approximately ZAR70.8 million (equivalent to approximately HK\$40.2 million) for the period from 1 April 2016 to 31 March 2017 (the "**Interest Accrual 2**"). Assuming the Loan is repaid on 31 December 2027, the aggregate interest accrued on the outstanding Loan will be approximately ZAR511.1 million (equivalent to approximately HK\$290.4 million).

LETTER FROM THE BOARD

Breakdown of the movement of loan balance and interest income accrued as at 31 March 2017

	ZAR <i>(million)</i>
Principal	433
Interest Accrual 1	72
Interest Accrual 2	70.8
Less: Repayment	(17)
Interest Accrual 2 deemed irrecoverable (impairment loss)	(70.8)
Carrying amount at 31 March 2017	488
Fair value adjustment	(211)
Carrying amount disclosed in 2017 annual report	277

The above breakdown is made on the basis that Interest Accrual 1 will still be recognized as interest overdue and will be capitalized and added into the outstanding principal amount of the Loan. TGL will collect the Interest Accrual 1 together with the Loan, which will be due on 31 December 2027.

FIRST SUPPLEMENTAL AGREEMENT AND SECOND SUPPLEMENTAL AGREEMENT TO THE VENDOR FINANCING AGREEMENT

On 24 April 2017 and 4 May 2018 (after trading hours), TGL and SepGold entered into the First Supplemental Agreement and the Second Supplemental Agreement, respectively. The principal terms of the abovementioned agreements are set out below:

1. The proposed waiver of the Interest Accrual 2 by TGL (the “**Interest Waiver**”);
2. The proposed deletion in its entirety of clause 8 of the Vendor Financing Agreement and all other references in the Vendor Financing Agreement to clause 8 or to the payment of any interest on the Loan (the “**Clause 8 Deletion**”); and
3. The proposed extension of the repayment date of the Loan to the Revised Repayment Date (the “**Extension**”).

The Transaction is subject to the passing of resolutions by the Independent Shareholders of the Company approving the execution of the First Supplemental Agreement and the Second Supplemental Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules.

LETTER FROM THE BOARD

On 25 June 2017, the renewal and application process for the mining right of the Jeanette Project (the “**Mining Right**”) was completed and the Mining Right has been granted by the Department of Mineral Resources of South Africa with validity period of 30 years commencing from 25 June 2017 until 25 June 2047. The execution of the Mining Right took place on 9 November 2017 and the registration of the Mining Right happened on 6 December 2017. Following the above events, the Board of the Company anticipated that the two mining projects will be able to commence production on or before 2023, following which TGL will be able to generate revenue and positive cash flow by the end of 2026, and this will in term increase the value of its shares. It was with such anticipation in mind that the Board of the Company determined that it is preferable for TGL to enter into the Second Supplemental Agreement to revise the Repayment Date to 31 December 2027, as by that time the two mining projects are expected to start generating income, which makes it easier for SepGold to sell its TG Shares to obtain funds for the repayment of the Loan.

At 31 March 2017, the total outstanding balance of the Loan, including Interest Accrual 1, was ZAR488 million (approximately HK\$277 million). TGL’s financial records for the financial year ended 31 March 2017 reflect that Interest Accrual 2 was recorded for the financial period, as the First Supplemental Agreement was still subject to shareholder approval at the time. Interest Accrual 2 was then written off in full due to it being deemed as unrecoverable in its entirety. As it is reasonably expected that any future interest income will be similarly unrecoverable given the current financial position of SepGold, the outstanding balance of the Loan as at 31 March 2017 may be taken to be the value of the Loan at the Latest Practicable Date.

The Company confirmed that to the best of the Directors’ knowledge, information and belief made all reasonable enquiry, all Directors have no material interest in the Transaction.

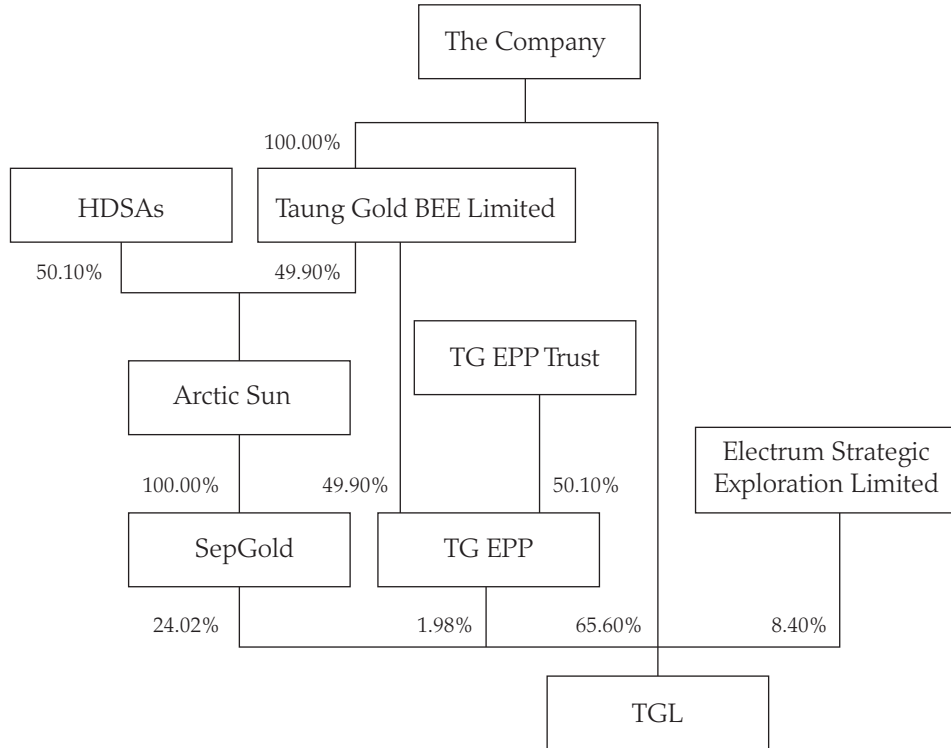
TREATMENT FOR THE INTEREST ACCRUAL

The Interest Accrual 1 will be retained. Both the Interest Accrual 1 and the outstanding balance of the Loan in the aggregate amount of approximately ZAR488 million (equivalent to approximately HK\$277 million), will be repayable on the Revised Repayment Date.

LETTER FROM THE BOARD

CORPORATE STRUCTURE

Set out below is the corporate structure of the Group as at the Latest Practicable Date:



Under the Charter pursuant to the provisions of Section 100(2) of the MPRDA, Taung Gold is a company primarily engaged in the exploration and/or development of mineral resources in South Africa and it must have at least 26% of its shareholding beneficially owned either directly by HDSAs or by Qualified BEE Company(ies).

At the Latest Practicable Date, SepGold held approximately 24.02% of the issued share capital of Taung Gold and SepGold in turn was 100% owned by Arctic Sun. Arctic Sun is a Qualified BEE Company with more than 50% of its shares being controlled by HDSAs. 49.9% of Arctic Sun's shares are held by Taung Gold BEE Limited, a wholly-owned subsidiary of the Company.

At the Latest Practicable Date, Taung Gold EPP held approximately 1.98% of the issued share capital of TGL. Taung Gold EPP is a Qualified BEE Company with more than 50% of its shares being controlled by HDSAs. 49.9% of Taung Gold EPP's shares are held by Taung Gold BEE Limited, a wholly-owned subsidiary of the Company.

The shareholdings in Taung Gold of Arctic Sun and Taung Gold EPP, both being Qualified BEE Companies, are 24.02% and 1.98% respectively. The combined shareholding of Arctic Sun and Taung Gold EPP is 26% in aggregate, thereby meeting the requirements of the MPRDA.

LETTER FROM THE BOARD

Impact on the Group's accounting treatment

According to Hong Kong Accounting Standard 39, if an entity revises its estimates of receivables, the entity shall adjust the carrying amount of its financial assets to reflect actual and revised estimated cash flows. The entity should recalculate the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate.

Regarding the Interest Waiver, the Interest Accrual 2 will be forfeited and an amount of approximately HK\$40.2 million will be charged to profit or loss.

Regarding the Clause 8 Deletion and the Extension, the present value of estimate future cash flows from the interest free loan to SepGold (the "**PV Loan**"), which is determined by discounting the Loan at an effective interest rate with the outstanding days to the Repayment Date, as of the effective date of the First Supplemental Agreement has been changed. The amount of approximately HK\$162 million, which represents the difference between the carrying amount of the outstanding balance Loan of approximately ZAR416 million (equivalent to approximately HK\$236 million) and the PV Loan of approximately ZAR130 million (equivalent to approximately HK\$74 million), will be charged to profit or loss.

Regarding the Company's best estimate on the repayment date of the Interest Accrual 1, the present value of estimate future cash flows from the Interest Accrual 1 (the "**PV Interest Accrual**"), which is determined by discounting the Interest Accrual 1 at an effective interest rate with the outstanding days to the Repayment Date, as of the effective date of the First Supplemental Agreement has been changed. The amount of approximately HK\$27.9 million, which represents the difference between the carrying amount of the Interest Accrual 1 of approximately ZAR72 million (equivalent to approximately HK\$40.9 million) and the PV Interest Accrual of approximately ZAR22 million (equivalent to approximately HK\$13 million), will be charged to profit or loss.

The total amount of loss to be recognised in the profit or loss in respect of the Transaction and the revised estimate on repayment date of the Interest Accrual 1 will be approximately ZAR405 million (equivalent to approximately HK\$230 million). Accordingly, the aggregate carrying amounts of the Loan, the Interest Accrual 1 and the Interest Accrual 2 will be reduced by the same extent to approximately ZAR154 million (equivalent to approximately HK\$87 million) (the "**New Carrying Amount 1**") as of the effective date of the First Supplemental Agreement.

As at 31 March 2017, after the directors of the Company re-assessed the recoverability and the present values of the outstanding balance of the Loan, the Interest Accrual 1 and the Interest Accrual 2, an aggregate amount of ZAR282 million (equivalent to approximately HK\$160 million), which represents the sum of impairment loss of approximately HK\$40.2 million and fair value adjustment of approximately HK\$120 million, was recognised to reduce their aggregate carrying amounts to ZAR277 million (equivalent to approximately HK\$157 million) (the "**New Carrying Amount 2**"). Details of the impairment assessment performed by the directors of the Company on the recoverability of the Loan, the Interest Accrual 1 and Interest Accrual 2 are set out in the note 14 to the audited consolidated financial statements included in the Company's annual report for the year ended 31 March 2017.

LETTER FROM THE BOARD

As of the effective date of the First Supplemental Agreement, the New Carrying Amount 2 may be adjusted to the New Carrying Amount 1 with the difference of ZAR123 million (equivalent to approximately HK\$70 million) debited to profit or loss. The difference represents the combined effects of revised estimate on future cash flows of the Interest Accrual 1 which had been considered as irrecoverable as at 31 March 2017 and the revised estimate on the Revised Repayment Date which had been considered on 31 December 2027 as at 31 March 2017.

INFORMATION ON THE COMPANY, TGL, ARCTIC SUN AND SEPGOLD

The Company is an investment holding company and its Subsidiaries are principally engaged in the exploration and development of gold assets in South Africa and Indonesia.

TGL is a company incorporated under the laws of South Africa and engaged in exploration and development of gold assets in South Africa. TGL holds the mining right for its Evander No.6 Shaft Project and the mining right for its Jeanette Project.

Arctic Sun is an investment holding company incorporated under the laws of South Africa. The sole business purpose of Arctic Sun is to hold the SepGold shares as an HDSA under the BEE Requirement. As at the date of this circular, the Company indirectly holds 49.9% of the issued share capital of Arctic Sun.

SepGold is an investment holding company incorporated under the laws of South Africa. As at the date of this circular, SepGold is a wholly-owned subsidiary of Arctic Sun, a Qualified BEE Company. SepGold is also a substantial shareholder of TGL by holding 24.02% of the issued shares of TGL.

As at the Latest Practicable Date, the Company had an approximate 78.58% shareholding interest in TGL, which comprised approximately 65.60% direct shareholding interest in TGL and approximately 11.99% indirect shareholding interest in TGL held collectively through SepGold, a company held indirectly as to 0.99% by the Company and through Taung Gold EPP, a company indirectly held as to 49.9% by the Company.

Financial information of TGL

According to the audited financial statements of the Group for the year ended 31 March 2017, the summarised financial information in respect of TGL, set out on a consolidated basis and before intragroup eliminations are as follows:

	Net profit/(loss) before taxation		Net profit/(loss) after taxation	
	<i>(ZAR'000)</i>	<i>(HKD'000)</i>	<i>(ZAR'000)</i>	<i>(HKD'000)</i>
For the year ended				
31 March 2016	976,765	554,980	976,765	554,980
For the year ended				
31 March 2017	422,191	239,881	422,191	239,881

LETTER FROM THE BOARD

On the same reporting basis, as at 31 March 2017, the net assets of TGL amounted to ZAR8,327,010,000 (approximately HK\$473,256,000) and it had total assets of ZAR8,359,200,960 (approximately HK\$4,749,546,000) and total liabilities of approximately ZAR32,190,400 (approximately HK\$18,290,000).

TGL's decrease in its net profit for the year ended 31 March 2017 was due to an increase in its operating expenses, in particular due to the fair value accounting adjustment of the Loan, reflecting as an interest expense of ZAR211 million (approximately HK\$120 million), as well as due to writing off ZAR70.8 million (approximately HK\$40.2 million), in interest income on the Loan for the period.

DRAWBACKS OF THE TRANSACTION

The Transaction will reduce imputed interest income, represented by the Interest Accrual 2, and it will be recognised in the profit and loss of the Group and result in a decrease in profit or loss of approximately HK\$40.2 million during the year ended 31 March 2017.

As such, the estimated future cash flows of the Group will also be affected due to decrease in the carrying amount of the outstanding balance of the Loan and the Interest Accrual 1, resulting in decrease in approximately HK\$189.9 million in the profit and loss of the Group. This loss arises from recognising the difference between the carrying amount of the outstanding balance of the Loan and the present value of the outstanding balance of the Loan following the adoption of the First Supplemental Agreement as at 31 March 2017 and difference between the carrying amount of the Interest Accrual 1 and the present value of the Interest Accrual 1.

The amount of interest already accrued up to 31 March 2016 is approximately ZAR72 million (approximately HK\$40.9 million). TGL incurred a total tax liability of ZAR4,476,151 (approximately HK\$2.5 million) at 31 March 2016 as a consequence of the accrued interest income placing TGL in a tax-paying position for that financial period. In the event that Clause 8 were not to be deleted, the maximum potential annual tax liability of TGL for the duration of the Loan is estimated at ZAR19.8 million (approximately HK\$11.3 million), being 28% of ZAR70.8 million (approximately HK\$40.2 million) in annual interest income, assuming that the entire interest income amount is taxable, ignoring interest on overdue interest in the future, and applying current interest and corporate tax rates. Until such time as TGL starts to generate revenue, it is likely that its annual tax liability will be lower than the maximum potential amount given above in the event that Clause 8 were not to be deleted.

After the Clause 8 Deletion, the Interest Accrual 2, which amount was considered unrecoverable by TGL and written off in its financial records, will be waived.

Since TGL will receive less income than that to which it is legally entitled in terms of the Vendor Financing Agreement, and TGL will also receive income later than that to which it is legally entitled, this may affect TGL's budget and could prevent TGL from allocating a higher income in its budget for working capital or development purposes, and from using such income at an earlier date, which may, in turn, hinder TGL from developing more quickly.

LETTER FROM THE BOARD

Shareholders are referred to the various announcements over the past two years for further detail on the current status of the development of TGL. This includes *inter alia*, in respect of the Evander project, the BFS, which is completed; focused discussions on the commercial terms for a Design & Build Contract for the project; and the approval of an EIA for the dewatering phase of the project. In respect of the Jeanette project, this includes *inter alia* the completion of project PFS; and the registration of the Mining Right for the project.

It is recorded that TGL's primary objective was not to utilise the interest income from the Vendor Financing Agreement as the principal means of funding its development activities. Instead, raising interest on the Loan was always intended primarily to provide an incentive for repayment of the Loan.

The fact that a listed entity offers access both to public equity funding and more favourable debt funding was an important reason for the acquisition of TGL by the Company. For the reason that the Group has access to alternative sources of funding for its development activities, and for the reasons further set out below, the Directors are of the view that the benefits from the Transaction outweigh the drawback of forfeiting interest income.

REASONS AND BENEFITS OF THE TRANSACTION

The Company currently has sufficient working capital and has plans in place for its further development and capital raising. As such, not receiving extra income and not receiving income earlier will not materially affect the Company's business. As at 30 September 2017, the Group had an unsecured bank balance of approximately HK\$33.85 million.

Conversely, should the Company's mineral rights be taken away by the South African government for non-compliance with BEE Requirement, this would be catastrophic to the Company's business. In addition, should the Company be required to source and negotiate the accession of a new BEE partner, and build a good working relationship with such new BEE partner(s), this could be fraught with difficulty and would take up valuable management time which could otherwise be better spent in developing the Company. The Company's current plan remains to utilize the combined shareholding of SepGold and Taung Gold EPP (as well as the restriction under the Vendor Financing Agreement that restricts SepGold's disposal of TG Shares to HDSAs or Qualified BEE Companies) to comply with the BEE Requirements for TGL in the long run given the long-standing relationship and contractual commitments between the parties. The Company is also open for discussions with other HDSAs and Qualified BEE Companies should the parties become interested in investing in TGL on terms acceptable to the Board.

LETTER FROM THE BOARD

The Board believes that the Transaction is in the best interest of the Company and its Shareholders as a whole for the following reasons:

(i) Tax liability and net cash out flow from the interest charge under the Vendor Financing Agreement

In terms of the Vendor Financing Agreement, SepGold is obliged to pay interest to TGL and TGL is, in turn, liable to settle a resulting tax liability at a rate of 28%. As a result, TGL will record a cash outflow in relation to the tax payable. Furthermore, TGL will not record any cash inflow since SepGold is unlikely to be able to repay the principal or interest on the loan at any time in the near future. Payment of the tax liability is not dependent on whether the interest income has actually been received. Therefore, the Board considers that the benefit to immediately reduce cash outflow on tax payments would outweigh the notional adverse impact arising from the Clause 8 Deletion and the Extension.

The proposed Transaction under the First Supplemental Agreement would cause a negative impact on the profit and loss of the Company arising principally firstly because any interest income recorded by TGL will be consolidated into the consolidated financial statements of the Company, and secondly because the respective interest recorded by SepGold will be netted off, and this will be reflected as a share of loss in an associate of the Company, given the Company's 49.9% shareholding interest in SepGold. However, the Company nonetheless considered that SepGold is unlikely to be able to repay the principal or the interest of the Loan firstly because the shareholding in TGL is SepGold's only asset, and secondly because it is unlikely that TGL will distribute any dividend to its shareholders in the near future.

In summary, the tax liability and the net cash outflow will both negatively impact on the Group's cashflows, and this may in turn have a significant effect on the financial results of TGL, which is not in the interest of the Shareholders and the Company as a whole.

(ii) Motivation for continuing involvement in development of gold mining projects

TGL has demonstrated notable progress with regard to its South African gold mining projects in recent years. It is a requirement in terms of South African legislation that a minimum of 26% of TGL be owned by HDSAs. As such, the contribution made by SepGold in enabling TGL to comply with the applicable legislation, has been instrumental. Without the shareholding of SepGold in TGL, TGL would not have the minimum 26% HDSA ownership and would be at risk of having the rights to its flagship Evander and Jeannette projects removed by the State Department of Mineral Resources ("DMR"). In particular, Dr. Lelau Mohuba (one of the principals of SepGold) is the non-executive Chairman of TGL and is actively involved in advancing TGL's interests and hence, the interest of the Company. In particular, Dr. Mohuba has played a very important role in discussions with the DMR since the transactions to acquire the South African projects were entered into

LETTER FROM THE BOARD

and continues to be involved in the processes relating to maintaining the various rights held by TGL. The Company considered that the contribution made by SepGold and its HDSA shareholders to such progress was instrumental. As a result, the granting of the Interest Waiver to SepGold may acknowledge and commend the contribution made by SepGold and its HDSA shareholders.

The Transaction, amongst other things, removes the obligation for SepGold to pay interest on the Loan and extends the repayment date of the Loan. This means that SepGold will have less of a financial burden at the time when the Loan needs to be repaid. SepGold will effectively have more time in which to repay the Loan and will also simply be required to find sufficient cash funds to repay the capital amount and not additional interest, which would be a significant additional amount. It must be remembered that SepGold is not a profit making company and its sole purpose is to act as an HDSA shareholder in TGL. The deletion of Clause 8 is not expected to affect the incentive of repayment of the Loan negatively in the present case given the Company's assessment that SepGold would unlikely be able to repay the interest of the Loan for the reasons disclosed in this circular. Instead, it places SepGold in a more realistic position to be able to meet its contractual obligations instead of having to source extra funds to repay interest as well as the capital on the Loan. As disclosed above, SepGold's principal sources of funds for repayment of the Loan would be proceeds from sale of the TGL Shares held by it and dividend income received from TGL. The Repayment Date of 31 December 2027 is proposed by the Board to reflect the current estimated timetable for commencement of commercial production of the two gold mining projects held by TGL taking place two years before the end of 2027 such that TGL will have generated income from which it can distribute to SepGold as one of TGL's shareholders as source of funds for SepGold to repay the Loan. In addition, as the two gold mining projects held by TGL, being TGL's principal assets, move towards the commercial production stage, it would be more commercially viable for SepGold to source other HDSAs or Qualified BEE Companies to acquire its TG Shares at a commercially acceptable price. Further, in the event that the BEE regime ends in South Africa before the Repayment Date, the HDSA shareholders will be free to dispose of their shares to any person of their choosing. The Board is confident that SepGold will be in a position to source funds to repay the Loan as TGL progresses with its gold mining projects. The Transaction will encourage SepGold to remain a loyal shareholder in TGL instead of selling its shares and exiting TGL prior to such repayment date in order to avoid the increasing cost of repaying the Loan. Therefore, the Directors considered that the Clause 8 Deletion and the Extension may enable SepGold and its HDSA shareholders to fully participate in TGL's future development, since it would encourage SepGold and its HDSA shareholders to continue to contribute towards the development of the Company's South African projects.

LETTER FROM THE BOARD

Given (1) the continuous instrumental contribution to TGL that has been provided by SepGold and Arctic Sun over the course of many years in negotiating with relevant authorities in South Africa and assisting with the application for the mining right pertaining to the Evander Project, as well as the mining right pertaining to the Jeanette Project, in accordance with the requirements of the South African laws to always maintain a 26% BEE shareholding in TGL; and (2) the continuous contribution by Dr. Lelau Mohuba, an HDSA who acts as the Chairman of TGL, it is clear that SepGold and the HDSAs are one of the key factors in keeping the flagship projects of the Company moving forward, and the board considers that the interest waiver and the extension of repayment of loans to HDSAs are of normal commercial terms and are for the ultimate benefit of all Shareholders and the Company as a whole. The Directors (including the independent non-executive Directors) consider that the terms of the proposed Transaction are fair and reasonable and on normal commercial terms and the proposed Transaction are in the interests of the Company and the Shareholders as a whole.

Dr. Mohuba, a co-founder of the Sephaku Group, is a chief executive officer (“CEO”) of JSE-listed Sephaku Holdings Ltd. and the chairman of SepGold. His commercial experience includes holding the positions of chairman and CEO of Shikisha Tyre and Rubber (Pty) Ltd., a joint venture with Goodyear Holdings Ltd., as well as co-founding Kiba Investment Holdings (Pty) Ltd., a mining beneficiation company. He is a former business development and executive director of Boynton Platinum Ltd., and a founder and chairman of Lekgotla Investments (Pty) Ltd.

LISTING RULES IMPLICATIONS

Given that the Second Supplemental Agreement and the First Supplemental Agreement to the Vendor Financing Agreement were entered into between TGL and SepGold in relation to the Interest Waiver, the Clause 8 Deletion and the Extension, the Company has aggregated these transactions and has treated them as if they were one transaction pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

SepGold is a substantial shareholder of TGL. TGL is a non-wholly owned subsidiary of the Company and therefore SepGold is a connected person of the Company at its subsidiary level. The Interest Waiver by TGL to SepGold would therefore constitute a connected transaction (financial assistance) of the Company. It is currently expected that all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Interest Waiver would be less than 5%. In the meantime, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Clause 8 Deletion and the Extension would be over 5% but less than 25%. The proposed Transaction will constitute discloseable and connected transaction for the Company under Chapter 14 and 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14 & 14A of the Listing Rules.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

Notice of the Special General Meeting to be held at 11:00 a.m. on 27 June 2018 at Unit 1901, 19/F, Nina Tower, 8 Yeung UK Road, Tsuen Wan, New Territories, Hong Kong is set out on pages 40 to 41 of this circular. A form of proxy for use at the Special General Meeting is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, at the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

Any Shareholder with a material interest in the proposed Transaction thereof and its associates shall not vote upon the proposed resolutions in relation to the proposed Transaction contemplated by the First Supplemental Agreement and the Second Supplemental Agreement at the SGM. In this respect, SepGold and its associates are required to abstain from voting in relation to the relevant resolution at the SGM. As at the Latest Practicable Date, SepGold and its associates, directly and indirectly, hold no Shares of the Company with voting right. To the best knowledge of the Directors and having made all reasonable enquiries, other than SepGold and its associates, no other Shareholders have material interests in the Transaction and are required to abstain from voting on the relevant resolution to be proposed at the SGM.

VOTE BY POLL

Under Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, any resolution put to the vote at the Special General Meeting will be voted on by way of poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 of this circular in connection with the proposed Transaction. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the proposed Transaction, and the principal factors and reasons considered by it in arriving at such advice set out on pages 21 to 34 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the proposed Transaction are fair, reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the proposed Transaction at the SGM.

GENERAL INFORMATION

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the proposed Transaction are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole after taking into account the recommendations made by the Independent Financial Adviser, which has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the proposed Transaction are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Your attention is also drawn to the additional information as set out in the Appendix to this circular required under the Listing Rules.

Yours faithfully,

By order of the Board

TAUNG GOLD INTERNATIONAL LIMITED

Li Hok Yin

Christiaan Rudolph de Wet de Bruin

Co-chairmen

TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENTS TO
THE VENDOR FINANCING AGREEMENT**

INTRODUCTION

We refer to the circular issued by the Company to its shareholders dated 6 June 2018 (the “2018 Circular”) of which this letter forms part. Capitalised terms defined in the 2018 Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders on whether the terms of the First Supplemental Agreement and the Second Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interest of the Company and the Shareholders taken as a whole.

Donvex Capital Limited has been appointed as independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 19 of the 2018 Circular and the letter from the Independent Financial Adviser as set out on pages 21 to 34 of the 2018 Circular which contains, among other things, its advice and recommendations to us and the Independent Shareholders regarding the First Supplemental Agreement and the Second Supplemental Agreement, and the principal factors and reasons taken into consideration for its advice and recommendations.

RECOMMENDATION

Having considered, among other matters, the factors and reasons considered by, and the recommendations of, the Independent Financial Adviser as stated in its letter of advice, although we consider that the First Supplemental Agreement and the Second Supplemental Agreement are not in the ordinary and usual course of business, but are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the First Supplemental Agreement and the Second Supplemental Agreement at the Special General Meeting.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Taung Gold International Limited

Chong Man Hung Jeffrey Li Kam Chung Tsui Pang
Independent Non-Executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

6 June 2018

*The Independent Board Committee and
the Independent Shareholders
of Taung Gold International Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION SUPPLEMENTAL AGREEMENTS TO THE VENDOR FINANCING AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the First Supplemental Agreement and the Second Supplemental Agreement (the “**Supplemental Agreements**”) to the Vendor Financing Agreement, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 6 June 2018 to the Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcements dated 24 April 2017 and 4 May 2018 in relation to, among other things, the First Supplemental Agreement and the Second Supplemental Agreement.

On 24 April 2017, TGL and SepGold entered into a Supplemental Agreement to the Vendor Financing Agreement. Pursuant to the First Supplemental Agreement, (i) the interest accrued on the Loan for the period from 1 April 2016 to 31 March 2017 in the amount of ZAR70.8 million (equivalent to approximately HK\$40.2 million), and any interest accrued up to the effective date of the First Supplemental Agreement to be payable by SepGold to TGL will be waived (the “**Interest Waiver**”); (ii) all terms regarding the interest on the loan payable by SepGold to TGL under the Vendor Financing Agreement will be removed (the “**Clause 8 Deletion**”); and (iii) the Repayment Date of the Loan will be extended to 31 December 2020 (the “**Extension**”).

On 4 May 2018, TGL and SepGold entered into the Second Supplemental Agreement. Pursuant to the Second Supplemental Agreement, the Repayment Date of the Loan will be further extended from 31 December 2020 to 31 December 2027.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SepGold is a substantial shareholder of TGL, being a non-wholly owned subsidiary and the principal subsidiary of the Company. As such, SepGold is a connected person of the Company at its subsidiary level and the Interest Waiver by TGL to SepGold would constitute a connected transaction of financial assistance of the Company. It is currently expected that all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Interest Waiver would be less than 5%. In the meantime, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Clause 8 Deletion and the Extension would exceed 5% but less than 25%. The entering into of the First Supplemental Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang, all being the independent non-executive Directors, has been formed to consider whether the Supplemental Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and not connected with, the Company or any of its substantial shareholders, directors, chief executive, or any of their respective associates, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. We did not act as the independent financial adviser to the Company's other transactions in the last two years.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Company, TGL, SepGold and their respective associates, nor have we carried out independent verification on the information supplied. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments, including any material change in market and economic conditions, may affect or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transaction and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information on the Group and TGL

The Group is principally engaged in the exploration and development of gold mines in South Africa and the Republic of Indonesia.

TGL is primarily engaged in the exploration, development and/or mining of mineral resources in South Africa. As at the Latest Practicable Date, TGL is a principal and non-wholly owned subsidiary of the Company, which the Company directly and indirectly holds 65.60% and 12.97% of shareholding interest in TGL. The financial results of TGL have been consolidated into the financial statements of the Company since 8 September 2011.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Financial information of the Group

Set out below is a summary of the operational results and financial positions of the Group for the financial years ended 31 March 2016 and 2017 as extracted from the annual report for the financial year ended 31 March 2016 and 2017 respectively.

Operating results of the Group

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue	–	–
Profit for the year	177,896	505,627

Financial position of the Group

	At as 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Bank balances and cash	383,894	210,263
Total assets	5,386,307	4,778,006
Total liabilities	23,658	102,968
Net assets	5,362,649	4,675,038

No revenue was recorded by the Company for the years ended 31 March 2017 and 2016 as the mining projects of the Company have not yet contributed any revenue. The Company recorded a decrease in profit of approximately HK\$327.7 million for the year ended 31 March 2017 mainly due to (i) impairment loss on a loan to a shareholder of a subsidiary of approximately HK\$156.2 million; (ii) impairment loss on an amount due from an associate of approximately HK\$32.3 million; and (iii) the decrease in fair value on gross obligation under put options granted by the Company of approximately HK\$25.9 million (2016: increase in fair value on gross obligation under put options approximately HK\$129.3 million).

As at 31 March 2017, the Group has an unsecured bank balance of approximately HK\$383.9 million (31 March 2016: approximately HK\$210.3 million). The substantial bank balance was preserved for the construction of the Group's gold mines in the future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Background information of TGL

Set out below is a summary of the operational results and financial positions of TGL on a consolidated basis and before intragroup eliminations, for the financial years ended 31 March 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 March 2017 (“**2017 Annual Report**”).

Operating results of TGL

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Profit before and after taxation	239,881	554,980

Financial position of TGL

	At as 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Total assets	4,749,546	4,372,725
Total liabilities	18,290	3,950
Net assets	4,731,256	4,376,675

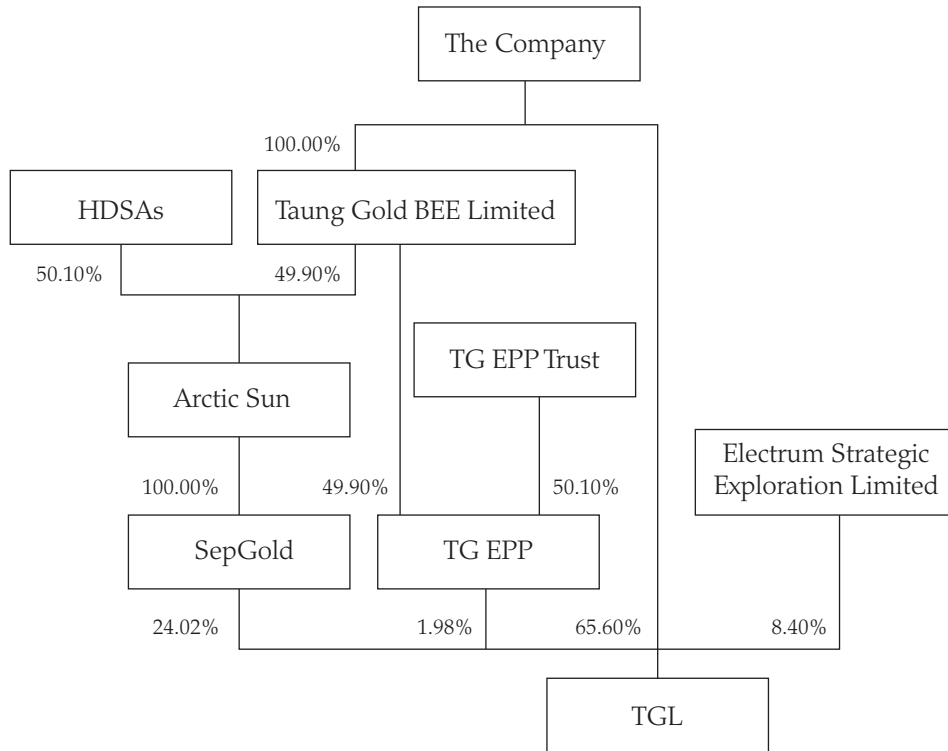
Progress of TGL's mining projects in South Africa

As disclosed in the 2017 Annual Report, TGL is mainly engaged in the development of two gold projects in South Africa, being the projects located in the Evander goldfield (“**Evander Project**”) and in the Jeanette area within the Welkom goldfield (“**Jeanette Project**”, collectively with the Evander Project, the “**Projects**”), which in aggregate hold mineral resources of over 25 million ounces of gold in South Africa, one of the world’s most prominent gold mining districts. The development of the Projects was notably advancing, where the mining right of the Jeanette project has been granted to TGL by the respective authorities on 25 June 2017 as detailed in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholding structure of TGL

The shareholding structure of TGL as at the Latest Practicable Date is set out as below.



4. Background of the Vendor Financing Agreement, the First Supplemental Agreement and the Second Supplemental Agreement

The Vendor Financing Agreement

Reference is made to the circular of the Company dated 28 July 2011 (the “**VSA Circular**”) in relation to, among other things, the acquisition of up to 86.966% of shareholding interests of TGL by the Company and the Vendor Financing Agreement.

Under the South African laws and the BEE Requirement, any companies engaged in the exploration, development and/or mining of mineral resources in South Africa must have at least 26.0% of its shareholding beneficially owned either directly by HDSAs or a company controlled by HDSAs. For the purpose of complying with the BEE Requirement, on 22 July 2011, TGL entered into the Vendor Financing Agreement with SepGold, pursuant to which TGL agreed to provide the Loan of approximately ZAR433.1 million to SepGold to enable SepGold to subscribe for 39,402,071 shares of TGL for maintaining their shareholding interest in TGL by at least 26.0%. The Company considers that SepGold assisted the Company by entering into the Vendor Financing Agreement since it enabled TGL to comply with the BEE Requirement and contributed to the successful acquisition of TGL.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Vendor Financing Agreement, the Loan was repayable on or before 31 December 2014. 50% of any dividends to be distributed by TGL to SepGold will be applied as repayment of the Loan. However, if the Loan was not repaid in full by that date it would accrue interest at the prime rate quoted by a specified bank from time to time plus 4% compounded annually arrears.

The interest accrued on the Loan for (i) the period from 1 January 2015 to 31 March 2016 amounted to approximately ZAR72.0 million (equivalent to approximately HK\$40.9 million); and (ii) the period from 1 April 2016 to 31 March 2017 amounted to approximately ZAR70.8 million (equivalent to approximately HK\$40.2 million). The interest income recorded on the Loan by TGL is taxable under the South African Tax Law at a rate of 28%.

Subsequent to the entering of the Vendor Financing Agreement, TGL issued approximately 1.98% of the then enlarged issued share capital of TGL to Taung Gold EPP. As a result, the shareholding of SepGold in TGL was diluted to approximately 24.02%. As detailed in the Letter from the Board, Taung Gold EPP is a Qualified BEE Company with more than 50% of its shares being controlled by HDSAs. As such, the BEE Requirement can be satisfied by virtue of SepGold's and Taung Gold EPP's combined shareholding of 26.00% in TGL.

The First Supplemental Agreement

On 24 April 2017, TGL and SepGold entered into the First Supplemental Agreement to amend certain terms of the Vendor Financing Agreement, including but not limited to, (i) the Interest Waiver to waive the interest accrued on the loan for the period from 1 April 2016 to 31 March 2017; (ii) the Clause 8 Deletion; and (iii) the Extension.

Details of the First Supplemental Agreement are set out under the section headed "First Supplemental Agreement and Second Supplemental Agreement to the Vendor Financing Agreement" in the Letter from the Board.

The Second Supplemental Agreement

On 25 June 2017, the renewal and application process for the Mining Right has been completed and the Mining Right has been granted by the Department of Mineral Resources of South Africa with validity period of 30 years commencing from 25 June 2017 until 25 June 2047. The execution of the Mining Right took place on 9 November 2017 and the registration of the Mining Right happened on 6 December 2017. The Board of the Company re-assessed the impact of the new Mining Right, the development of TGL South African gold mining projects and determined to enter into the Second Supplemental Agreement on 4 May 2018 to amend of the Repayment Date to 31 December 2027 to reflect the current estimated timetable for commencement of commercial production of the two gold mining projects held by TGL taking place one to two years before the end of 2027.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Interest Accrual 1 will not be waived under the Supplemental Agreements. The total outstanding balance of the Loan and Interest Accrual 1 of approximately ZAR488 million (equivalent to approximately HK\$277 million) will be repayable on the Revised Repayment Date.

Our view on the extension of the Repayment Date

The Company has submitted, among other things, a number of feasibility studies reports on mineral resources reserve, construction and production schedules prepared by a number of independent consultants specialised in mineral resources studies, to the Department of Mineral Resources of South Africa for the application of the Mining Right. The Department of Mineral Resources of South Africa has reviewed such reports and subsequently granted the Mining Right in June 2017. The management of the Company has prepared forecasts of the Projects (the “Forecast”) with reference to the results of such reports. We have reviewed the Forecast and we noted that

- (i) as the Mining Right was granted in June 2017, the Projects will enter into construction phase and are not expected to be fully operational and generate revenue for TGL until the year 2023; and
- (ii) the Projects are expected to begin to generate positive profit and distributable reserve by the year 2024.

Pursuant to the Vendor Financing Agreement, 50% of any dividends to be distributed by TGL to SepGold will be applied as repayment of the Loan. Assuming (a) the shareholding of TGL remain unchanged; and (b) the future distributable profits of TGL to be distributed in full to its shareholders, the dividend distributed from the distributable profits of TGL to SepGold is expected to be sufficient for SepGold to repay the outstanding balance of the Loan and the Interest Accrual 1 in full by the year 2027 based on the Forecast.

As such, we are of the view that the extension of the Repayment Date to 31 December 2027 is fair and reasonable.

Safeguard of the recoverability of the Loan

As disclosed in the VSA Circular, pursuant to the Vendor Financing Agreement, the shares of TGL held by SepGold are pledged to TGL as security for repayment of the Loan (the “Security”). As such, we are of the view that the Security may safeguard TGL and the Company’s interest on the recoverability of the Loan. However, in the event that TGL exercises its right on the Security to acquire the TGL shares held by SepGold, TGL would be required to issue an equal number of shares to other HDSA shareholder(s) in order to continue to comply with the BEE Requirement and the New Chapter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Reasons for and benefits of the entering into of the Supplemental Agreements

In arriving at our opinion on the reasons for and benefits of the entering into of the Supplemental Agreements, we have considered the following factors in relation to (i) the additional tax liability in relation to the interest income recorded by TGL; and (ii) incentive for the ongoing development of gold mining projects:

(i) *Net cash out flow recorded by the Group as the result of the interest income arrangement under the Vendor Financing Agreement*

Introduction

Pursuant to the Vendor Financing Agreement, SepGold shall pay interest to TGL, which would be taxable under the South African Tax Law at a rate of 28% and TGL is liable to settle the respective tax liabilities. As such, TGL will record cash outflow on the tax payment while not receiving any cash inflow from the settlement of the principal or interest of the Loan from SepGold since SepGold is not expected to record any revenue in the near future.

Save for the tax liability incurred by the TGL, there would be a negative impact on the profit and loss of the Company for the transactions under the Supplemental Agreements. The negative impact is mainly a result of (a) the loss of the interest income recorded by TGL, with the fact that any interest income recorded by TGL will be consolidated into the consolidated financial statements of the Company, while netting off (b) the gain on the decrease in the respective interest expenses recorded by SepGold, which will be reflected as share of loss in an associate of the Company with reference to the Company's 49.9% shareholding interest in SepGold.

Illustrative financial impact of the Transaction

Immediately before the Transaction, we set out below the maximum potential financial effect on the Company for the year ended 31 March 2017 in relation to the interest income arrangement under the Vendor Financing Agreement for illustrative purpose.

	Profit/(loss) effect to the Company <i>HK\$'million</i>	Cash outflow effect to the Company <i>HK\$'million</i>
Interest income from SepGold	40.2	–
Maximum potential annual tax liability in relation to the interest income recorded in TGL at a rate of 28%	(11.3)	(11.3)
	28.9	(11.3)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming the Transaction had taken place on 31 March 2017, immediately after the proposed Transaction, the Company would recognise:

- (a) the net loss effect on loss of the interest income arrangement of approximately HK\$28.9 million as illustrated above for the year ended 31 March 2017; and
- (b) with reference to the section headed “Impact on the Group’s accounting treatment” in the Letter from the Board, an one-off loss on the fair value of the interest free Loan to SepGold of approximately HK\$189.9 million as a result of the decrease in interest income and the extension of maturity date of the Loan as illustrated below:

	Carrying amount <i>HK\$’million</i>	Present value of estimate future cash flows <i>HK\$’million</i>	Difference to be recognised in the profit and loss <i>HK\$’million</i>
Outstanding balance of the Loan	236.0	74.0	162.0
Interest Accrual 1	40.9	13.0	27.9
			189.9

In the event that the interest income from SepGold is waived, the total losses of approximately HK\$218.8 million above merely represented accounting losses, which would not have any adverse impact on the cashflow position of the Company. However, the cash outflow on the tax liabilities of approximately HK\$11.3 million can be mitigated, which is in the interests of the Shareholders and the Company as a whole.

In arriving at our opinion on the above, we have discussed with the Company’s auditor in relation to the impact of the Transactions to the Group’s financial statements. We understand the auditor has reviewed the impact of the Transactions to the Group’s financial statements as detailed in the section headed “Impact on Group’s accounting treatment” in the Letter from the Board. We further understand that the auditor is a well-established firm with global presence engaged in the provision of audit, taxation and other business advisory services. Based on the above, we are of the view that the fairness and reasonableness of the impact of the Transactions of the Group as detailed above has been reasonably prepared.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ability of repayment of the Loan from SepGold

With reference to the VSA Circular, TGL and SepGold entered into the Vendor Financing Agreement for the purpose of complying with the BEE Requirement. The Loan was interest free until 31 December 2014 and shall accrue interest at the prime rate quoted by ABSA Bank from time to time plus 4% compounded annually in arrears.

Upon obtaining the Mining Right in June 2017, the Company reassessed the Projects and the ability of repayment of the Loan from SepGold. The Company considered and we concur that SepGold will not be able to repay the principal or the interest of the Loan and any respective interest accrued in the near future because

- (a) the investment in TGL represents the only asset of SepGold; and
- (b) as discussed in the sub-section headed “The Second Supplemental Agreement” above, based on the Forecast of the Projects prepared by the management of the Company, the Projects are not expected to generate profits and distributable reserve for TGL until the year 2023 and 2024. As such, it is unlikely that TGL will distribute dividends to its shareholders in the near future.

Based on the above and the tax implication of the interest income under the Vendor Financing Agreement as further discussed below, the Company entered into the Supplemental Agreements to waive the interest and extend the Repayment Date to 31 December 2027.

Tax implication of the interest income under the Vendor Financing Agreement

As discussed above under the section headed “Illustrative financial impact of the Transaction”, the Group will record cash outflow on the tax payment in relation to the interest income from SepGold.

We have discussed with the auditor of the Company and we understand that

- (a) the interest income from SepGold is taxable upon accrual under the relevant tax law; and
- (b) the impairment/write-off of interest receivable may not be deductible against TGL’s chargeable profit as (1) such balance is not definitely irrecoverable unless SepGold being bankrupt or liquidation; and (2) the local tax authority may question the basis of writing-off any interest receivable if the Loan was not written-off in full.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the auditor is a well-established firm with global presence engaged in the provision of audit, taxation and other business advisory services, we are of the view that it is fair and reasonable for the Company to rely on the view of the auditor on the above tax implications.

Based on the above, if the Supplemental Agreements are not entered and the interest income is not waived, TGL may continue to record tax liability and cash outflow in relation to the interest income in the near future, which is not in the interest of the Company and its Shareholders as a whole.

Cash flow requirements for developing mineral companies

Mineral companies such as TGL are asset-heavy and require substantial upfront investment for the exploration of minerals, conducting feasibility studies to meet relevant regulatory requirement and development of mines or drilling wells. The timeframe for the return on the investment in mineral projects is longer than many other businesses as mining projects are expected to suffer losses in early development stage and may only generate profit upon entering into the commercial production stage.

In the event the cashflow of the Company is not sufficient for the development of the Projects, the Company may be required to conduct fund raising activities which may or may not be feasible or at favourable terms. In addition, any prolonged development of the Projects, as a result of insufficient cashflow, may not allow the Group to fully exploit or utilise the mineral resources in the Projects as the relevant authority may not grant extension or renewal of the relevant mining rights.

In order to ensure healthy development of the Projects, the Group requires maintaining sufficient cash balance (i) for the operation and development of the Projects before they enter into commercial production and generate revenue; and (ii) to prepare as buffer for unforeseeable circumstances such as natural disasters or any changes in political, regulatory or global economic landscape that may hinder the development of the Projects. As such, being a developing mineral company, the Company considers, and we concur, that minimizing the Group's cash outflow is of higher priority than recording accounting losses before the Projects enter into commercial production, which is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conclusion

Taking into account the above, we are of the view that

- (a) the tax liability and the net cash outflow will continuously have an overall adverse impact on the Group's cashflow in the near future. The net cash outflow on the interest income arrangement under the Vendor Financing Agreement may adversely affect the financial results of TGL and hinder the development of the Projects, which is not in the interests of the Shareholders and the Company as a whole;
- (b) the adverse impact of the Clause 8 Deletion and the Extension merely represented accounting losses; and
- (c) being a developing mineral company, the Group shall maintain stringent control on its cashflow to meet the substantial cashflow requirement for the development of its Project. As such, the benefit of reduction in cash outflow on tax payments would outweigh the accounting loss impact.

As such, we are of the view that the overall financial impact of the Transactions are of normal commercial terms, fair and reasonable to the Company and in the interest of the Company and its Shareholders as a whole.

(ii) Incentive for the ongoing development of gold mining projects

As discussed under the section headed "Background Information of TGL" above, the ongoing development of the gold mining projects of TGL has recorded notable progress in recent years. The Company considered that the contribution by SepGold and its HDSAs shareholders formed an integral part of development of the Projects in South Africa.

We have discussed with the management of the Company in relation to the contribution of the SepGold, being a HDSAs shareholder, towards the development of the gold mining projects of TGL. As advised by the management of the Company, Dr. Lelau Mohuba, being one of the principals of SepGold and non-executive Chairman of TGL, has been in charge of the negotiations with relevant government authorities for the application/renewal of the exploration/prospecting/mining rights of TGL's gold mining projects in South Africa since 2008.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the overall progress of the development of the Evander Project and Jeanette Project in South Africa since 2008, where notable achievements were recorded, including but not limited to the followings:

- (a) since the submission of the application for the Mining Right to the authorities in May 2015, the renewal and application process for the Mining Right has been completed and the Mining Right has been granted by the Department of Mineral Resources of South Africa with validity period of 30 years commencing from 25 June 2017 to 25 June 2047; and
- (b) the environmental impact assessment is being conducted for the Evander Project.

As such, the granting of the Interest Waiver to SepGold may recognise and reward the contribution from SepGold and its HDSA shareholders. Moreover, the Directors considered that the Clause 8 Deletion and the Extension may allow SepGold and its HDSA shareholders to fully commit in the future development of TGL and therefore, act as an incentive for SepGold and its HDSA shareholders to continue to contribute towards the development of the Projects.

Having considered the above factors, we are of the view that the entering into of the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms and conditions under the Supplemental Agreements and the transactions contemplated thereunder are in normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole even though the entering into of the Supplemental Agreements are not in the ordinary and usual course of business. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the First Supplemental Agreement and the Second Supplemental Agreement.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

RESPONSIBILITY STATEMENT

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

1. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(a) Interest of Directors and Chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the Chief Executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are 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 are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Name of Directors	Number of Ordinary Shares		Number of underlying shares held under share options	Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests			
Christiaan Rudolph de Wet de Bruin	364,650,717	–	19,215,637	383,866,354	2.11%
Cheung Pak Sum	–	–	19,215,637	19,215,637	0.11%
Neil Andrew Herrick	36,683,815	–	19,215,637	55,899,452	0.31%
Li Hok Yin	17,380,622	–	19,215,637	36,596,259	0.21%
Li Kam Chung	–	–	19,215,637	19,215,637	0.11%

(b) Interest of substantial Shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or Chief Executives of the Company) who had any interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, the following Shareholders were interested in more than 5 per cent of the Shares in issue:

Name of shareholders	Number of ordinary shares held	Percentage of issued ordinary shares at Latest Practicable Date
Electrum Strategic Exploration Limited (note 1)	2,001,362,075	11.03%
Mandra Materials Limited (note 2)	1,835,354,722	10.11%
Mandra Esop Limited (note 2)	28,218,369	0.16%
Woo Foong Hong Limited (note 2)	426,530,727	2.35%
Gold Commercial Services Limited ("GoldCom") (note 3)	1,301,713,219	7.17%

Notes:

- (1) The entire share capital of Electrum Strategic Exploration Limited is principally owned and controlled by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) Mandra Materials Limited and Mandra ESOP Limited are wholly-owned by Beansprouts Limited which in turn is owned as to 50% by Zhang Songyi and 50% owned by Mui Bing How. Hence, Zhang Songyi and Mui Bing How are deemed to be interested in the Shares held by Mandra Materials Limited and Mandra ESOP Limited for the purpose of SFO.
- (3) On 8 September 2011, the Company issued 1,130,141,116 Shares to GoldCom for the purpose of acquiring 21,174,316 shares of TGL from South African resident shareholders of TGL (Please refer to the Company's circular dated 28 July 2011). On 21 November 2014, the Shareholders passed a special resolution to grant each of the TG Optionholders the right to sell a maximum number of 23,645,210 TG Shares to the Company or GoldCom for a maximum of 1,262,020,649 New Put Option Consideration Shares (Please refer to the Options Circular dated 2 November 2014). The relevant options and rights under the Options Circular all expired on 7 September 2016.

No interest, direct or indirect, if any, of every director in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, i.e. 31 March 2017, acquired or disposed of by or leased to the Company or Subsidiary or are proposed to be acquired or disposed of by or leased to the Company or Subsidiary.

2. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

3. THE INDEPENDENT FINANCIAL ADVISER AND CONSENTS

The following are the qualifications of the Independent Financial Adviser whose advice is contained in this circular:

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

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with inclusion of its advice and letter and references to its name in the form and context in which they respectively appear.

At the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

At the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which have been, since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Company, or are proposed to be acquired or disposed of by or leased to any member of the Company.

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group have been made up.

5. INTEREST IN ASSETS

At the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, direct or indirect, in any assets which had been since 31 March 2017, being the date to which the latest published audited 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.

6. MATERIAL INTEREST IN CONTRACTS

None of the Directors was materially interested at the Latest Practicable Date in any contracts or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business, Unit 1901, 19th Floor, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong during normal business hours (public holidays excepted) from the date of this circular up to and including the date of the SGM:

- (a) the Vendor Financing Agreement, the First Supplemental Agreement and the Second Supplemental Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out from page 21 to 34 of this circular;
- (d) the Bye-laws of the Company;
- (e) the circular of the Company dated 28 July 2011;
- (f) the annual reports of the Company for the two financial years ended 31 March 2016 and 2017; and
- (g) this circular.

9. GENERAL

- (a) The company secretary of the Company is Ms. Wong Pui Yee, being an associate member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

- (b) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English texts of this circular and the enclosed form of proxy shall prevail over the Chinese texts in case of any inconsistency.

NOTICE OF SPECIAL GENERAL MEETING

TAUNG GOLD | **TAUNG GOLD INTERNATIONAL LIMITED**
壇金礦業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)

NOTICE IS HEREBY GIVEN that a special general meeting of Taung Gold International Limited (the “**Company**”) will be held at Unit 1901, 19/F., Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on 27 June 2018, Wednesday at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions with or without amendment as ordinary resolution. Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 6 June 2018 (the “**Circular**”):

“THAT

- (a) the entering into of the First Supplemental Agreement and the Second Supplemental Agreement all as defined and referred to in the Circular (a copy of which has been produced to the Meeting, and initialled by the Chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company may consider necessary, desirable or appropriate;
- (b) any director(s) of the Company be and is hereby authorised for and on behalf of the Company to sign, execute and deliver all such documents, instruments, agreements and deeds and do all such acts, matters and things for the purpose of and in connection with the implementation of the First Supplemental Agreement and the Second Supplemental Agreement and the transactions contemplated thereunder as he/she may in his/her discretion consider necessary or desirable.”

By order of the Board
Taung Gold International Limited
Li Hok Yin **Christiaan Rudolph**
de Wet de Bruin
Co-chairmen

Hong Kong, 6 June 2018

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (a) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares entitled to attend and vote at the Special General Meeting is entitled to appoint more than one proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

- (b) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 22 Level, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting and in default the instrument of proxy shall not be treated as valid except with the consent of the Chairman.