THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Neway Group Holdings Limited**, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

Distribution of this circular into jurisdictions other than Hong Kong may be restricted by law.

Persons who come into possession of this circular should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This circular is not for release, publication or distribution, directly or indirectly, in or into the United States of America. This circular is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States of America, and may not be offered or sold within the United States of America, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States of America.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

(1) PROPOSED RIGHTS ISSUE OF 507,278,912 RIGHTS SHARES AT HK$0.20 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE; (2) CONNECTED TRANSACTION; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

MERDEKA 鎵智

Underwriter to the Rights Issue

Smithfield Ventures Limited

Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders

VMS

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

A letter from the Board is set out on pages 15 to 52 of this circular. A letter from the Listing Rules IBC is set out on pages 53 to 54 of this circular. A letter from the Takeovers Code IBC is set out on pages 55 to 56 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, is set out on pages 57 to 106 of this circular.

A notice convening the SGM to be held at 11:30 a.m. on Monday, 4 May 2020 at 5/F, Chung Tai Printing Group Building, 11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong is set out on pages SGM-1 to SGM-5 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited at Level 54, 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 scheduled for the SGM (i.e. before 11:30 a.m. on Saturday, 2 May 2020 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE SGM" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the SGM.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

9 April 2020

* *For identification purpose only*

The Board has made reference to the "Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation" jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the SGM.

Voting by proxy in advance of the SGM:

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.**

Preventive measures at the SGM

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

(i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures.

(ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures.

(iii) Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks.

(iv) Seating at the SGM will be arranged so as to reduce interaction between participants.

(v) No refreshments will be served and there will be no corporate gifts.

PRECAUTIONARY MEASURES FOR THE SGM

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

CONTENTS

Page

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 10 January 2020 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday and any day on which "extreme conditions" caused by super typhoons is announced by the Hong Kong Government or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CNA"	CNA Company Limited, a Substantial Shareholder of the Company as at the Latest Practicable Date and is beneficially owned by Preserve Capital Trust
"Company"	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Compensatory Arrangements"	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus

"Director(s)"	director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" or "HK Dollars"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Government"	the Government of Hong Kong Special Administrative Region
"Independent Financial Adviser" or "VMS Securities"	VMS Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Whitewash Waiver
"Independent Shareholder(s)"	the Shareholder(s) other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, its associate(s) and parties acting in concert with the Underwriter; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Irrevocable Undertakings"	the irrevocable undertakings dated 10 January 2020 in favour of the Company, the details of which are set out in the sub-section headed "The Irrevocable Undertakings" under the section headed "PROPOSED RIGHTS ISSUE" in the Letter from the Board in this circular

"Latest Placing Date"	Thursday, 4 June 2020 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
"Latest Placing Time"	5:00 p.m. on the Latest Placing Date
"Latest Practicable Date"	Tuesday, 7 April 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Last Trading Day"	10 January 2020, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
"Latest Time for Acceptance"	4:00 p.m. on Friday, 29 May 2020 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares, and if "extreme conditions" caused by super typhoons is announced by the Hong Kong Government or there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be extended to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
"Latest Time for Termination"	4:30 p.m. on the first Business Day immediately after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Listing Rules IBC"	the independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui) formed for the purpose of giving a recommendation to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and as to the voting action therefor
"Mr. Suek"	Mr. Suek Ka Lun, Ernie, who is the chairman of the Board, an executive Director and the sole director of CNA
"Net Gain"	the aggregate of any premium under the Compensatory Arrangements, being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees
"No Action Shareholders"	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"NQS Unsold Rights Share(s)"	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company

"Overseas Shareholder(s)"	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Placee(s)"	any individual, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
"Placing"	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
"Placing Agent"	Merdeka Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
"Placing Agreement"	the placing agreement dated 10 January 2020 (as amended by the Supplemental Placing Agreements) entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Placee(s) on a best effort basis

"Placing Completion Date"	Tuesday, 9 June 2020 or such other date as the Company and the Placing Agent may agree in writing, being the date of completion of the Placing
"Placing Period"	a period commencing from the second Business Day after the Latest Time for Acceptance, which is expected to be Tuesday, 2 June 2020, and ending at the Latest Placing Time
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Preserve Capital Trust"	a discretionary trust set up by Mr. Suek and the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong
"Prospectus Posting Date"	Friday, 15 May 2020 or such later date as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
"Prospectus"	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
"Qingyuan Project"	the construction and development of the industrial land situated at North of Lianhu Industrial Zone, Qingcheng District, Qingyuan City, Guangdong Province, the PRC, which is held by the Group
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
"Record Date"	Thursday, 14 May 2020 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
"Registrar"	Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

"Relevant Period"	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Rights Issue"	the proposed issue of the Rights Shares by way of rights on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents
"Rights Shares"	507,278,912 Shares proposed to be allotted and issued by the Company for subscription pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened to be held at 11:30 a.m. on Monday, 4 May 2020 at 5/F, Chung Tai Printing Group Building, 11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong to consider, among others, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	ordinary share(s) in the issued and unissued share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.20 per Rights Share
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Placing Agreements"	collectively the supplemental agreement dated 31 January 2020 and the second supplemental agreement dated 7 April 2020 to the placing agreement dated 10 January 2020 entered into between the Company and the Placing Agent

"Supplemental Underwriting Agreements"	collectively the supplemental agreement dated 31 January 2020 and the second supplemental agreement dated 7 April 2020 to the underwriting agreement dated 10 January 2020 entered into between the Company and the Underwriter
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Takeovers Code IBC"	the independent board committee of the Company comprising two non-executive Directors (namely Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat) and all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui) formed for the purpose of giving a recommendation to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor under Rule 2.1 of the Takeovers Code
"Underwriter"	Smithfield Ventures Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by CNA and is in turn beneficially owned by Preserve Capital Trust
"Underwriting Agreement"	the underwriting agreement dated 10 January 2020 (as amended by the Supplemental Underwriting Agreements) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Shares"	423,698,912 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Unsubscribed Rights Shares"	Rights Shares that are not subscribed by the Qualifying Shareholders

"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

Set out below is the expected timetable for the Rights Issue, which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	**2020**
Latest time for lodging transfer of Shares in order to be qualified for attendance and voting at the SGM	4:30 p.m. on Thursday, 23 April
Register of members of the Company closes (both dates inclusive)	Friday, 24 April – Monday, 4 May
Latest time for lodging proxy forms for the SGM (not less than 48 hours prior to the time of the SGM)	11:30 a.m. on Saturday, 2 May
Record date for determining attendance and voting at SGM	Monday, 4 May
Expected date and time of the SGM	**11:30 a.m. on Monday, 4 May**
Announcement of results of the SGM	Monday, 4 May
Last day of dealings in the Shares on a cum-rights basis	Tuesday, 5 May
First day of dealings in the Shares on an ex-rights basis	Wednesday, 6 May
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 7 May

Event	2020
Register of members of the Company closes (both days inclusive)	Friday, 8 May – Thursday, 14 May
Record Date for the Rights Issue	Thursday, 14 May
Register of members of the Company re-opens	Friday, 15 May
Despatch of the Prospectus Documents	Friday, 15 May
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 19 May
Latest time for splitting of the PAL	4:30 p.m. on Thursday, 21 May
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 26 May
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	**4:00 p.m. on Friday, 29 May**
Latest Time for Acceptance of and payment for the Rights Shares	**4:00 p.m. on Friday, 29 May**
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:30 p.m. on Monday, 1 June
Announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements	Tuesday, 2 June
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Tuesday, 2 June
Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	5:00 p.m. on Thursday, 4 June

Event	**2020**
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per NQS Unsold Rights Share under the Compensatory Arrangements)	Monday, 8 June
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) on or before	Tuesday, 9 June
Despatch of certificates for fully-paid Rights Shares on or before	Tuesday, 9 June
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Wednesday, 10 June
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Wednesday, 10 June
Payment of Net Gain to relevant No Action Shareholders (if any)	Wednesday, 10 June
Last day for the designated broker to provide matching services for odd lots of Shares	Friday, 3 July

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The Latest Time for Acceptance and payment for the Rights Shares will be postponed if "extreme conditions" caused by super typhoons is announced by the Hong Kong Government or there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:

a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance and in such event, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance and in such event, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m and 4:00 p.m..

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

Executive Directors:
Mr. SUEK Ka Lun, Ernie *(Chairman)*
Mr. SUEK Chai Hong *(Chief Executive Officer)*

Non-executive Directors
Dr. NG Wai Kwan
Mr. CHAN Kwing Choi, Warren
Mr. WONG Sun Fat

Independent non-executive Directors
Mr. LEE Kwok Wan
Mr. LAI Sai Wo, Ricky
Mr. CHU Gun Pui

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Chung Tai Printing Group Building
11 Yip Cheong Street
On Lok Tsuen, Fanling
New Territories
Hong Kong

9 April 2020

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF 507,278,912 RIGHTS SHARES AT HK$0.20 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE; (2) CONNECTED TRANSACTION; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

References are made to (i) the Announcement in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (ii) the announcements of the Company dated 31 January 2020 and 7 April 2020 in relation to, among other things, the Supplemental Placing Agreements and the Supplemental Underwriting Agreements.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) information regarding the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (ii) a letter from the Listing Rules IBC; (iii) a letter from the Takeovers Code IBC; (iv) a letter from VMS Securities to the Listing Rules IBC and Takeovers Code IBC in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) the notice of SGM.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the SGM, the Board proposed to raise gross proceeds of approximately HK$101.46 million (before expenses) on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date by issuing 507,278,912 Rights Shares at the Subscription Price of HK$0.20 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The Company and the Underwriter entered into the Underwriting Agreement in respect of the Rights Issue, the details of which are set out below:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK$0.20 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	253,639,456 Shares
Number of Rights Shares	:	507,278,912 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued Shares upon completion of the Rights Issue	:	760,918,368 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue
Amount to be raised	:	Approximately HK$101.46 million before expenses

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

The 507,278,912 Rights Shares represent 200% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the Rights Issue immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

By virtue of the connection between Mr. Suek and the Underwriter as disclosed in the section headed "THE UNDERWRITING AGREEMENT" below, Mr. Suek is deemed to have a material interest in the transactions contemplated under the Underwriting Agreement. Therefore, Mr. Suek has abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who are the uncles of Mr. Suek, have also abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance.

Irrevocable Undertakings

As at the Last Trading Day, CNA is beneficially interested in an aggregate of 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares. CNA is beneficially owned by Preserve Capital Trust. Mr. Suek is personally beneficially interested in an aggregate of 1,210,000 Shares, representing approximately 0.48% of the existing issued Shares. Mr. Suek Chai Hong, an executive Director and the chief executive officer of the Company, is beneficially interested in an aggregate of 700,000 Shares, representing approximately 0.28% of the existing issued Shares. Dr. Ng Wai Kwan, a non-executive Director, is beneficially interested in an aggregate of 8,000 Shares, representing approximately 0.01% of the existing issued Shares.

Pursuant to the Irrevocable Undertakings, each of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan has provided irrevocable and unconditional undertakings to the Company that (i) all the above Shares will continue to be beneficially owned by each of them on the Record Date; and (ii) each of them will accept and pay for 79,744,000 Rights Shares, 2,420,000 Rights Shares, 1,400,000 Rights Shares and 16,000 Rights Shares respectively to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

Closure of register of members

The register of members of the Company will be closed from Friday, 24 April 2020 to Monday, 4 May 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will be closed from Friday, 8 May 2020 to Thursday, 14 May 2020 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 7 May 2020. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 5 May 2020 and the Shares will be dealt with on an ex-rights basis from Wednesday, 6 May 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

Number of Overseas Shareholders	Jurisdiction of the registered address of the Overseas Shareholders	Number of Shares held
10	The United States of America	8,800

The shareholding of each of the Overseas Shareholders represents less than 1% of the total issued Shares as at the Latest Practicable Date.

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the jurisdiction set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the legal advice provided by the legal adviser of the United States of America engaged by the Company, the Directors are of the view that it is expedient not to extend the Rights Issue to such Overseas Shareholders given the expenses and effort which may be incurred or involved in compliance with the relevant regulatory requirements in the United States of America, and hence, the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the United States of America shall be Non-Qualifying Shareholders.

As such, assuming that the Non-Qualifying Shareholders remain on the register of members of the Company on the Record Date, the Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them.

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Tuesday, 19 May 2020 to Tuesday, 26 May 2020 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit.

Any NQS Unsold Rights Shares will first be placed by the Placing Agent under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully placed, will be taken up by the Underwriter.

Net Gain (if any) will be paid pro-rata (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in HK Dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK$100 for its own benefit.

For the nil-paid Rights Shares that are sold in the market by the Company, if the buyer(s) of such nil-paid Rights Shares does/do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Subscription price

The Subscription Price is HK$0.20 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a premium of approximately 8.11% over the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of 20.00% to the closing price of HK$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 8.68% to the theoretical ex-rights price of approximately HK$0.219 per Share based on the closing price of HK$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;

(d) a discount of approximately 21.57% to the average closing price of HK$0.255 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 21.57% to the average closing price of HK$0.255 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(f) a discount of approximately 94.49% to the unaudited consolidated net asset value per Share of approximately HK$3.63 ("**Interim NAV per Share**") based on the published unaudited consolidated net asset value of the Company of approximately HK$920.09 million as at 30 June 2019 as extracted from the interim report of the Company for the six months ended 30 June 2019 and the issued share capital of the Company of 253,639,456 Shares;

(g) a discount of approximately 94.27% to the audited consolidated net asset value per Share of approximately HK$3.49 ("**Annual NAV per Share**") based on the published audited consolidated net asset value of the Company of approximately HK$886.22 million as at 31 December 2019 as extracted from the final results announcement of the Company for the year ended 31 December 2019 and the issued share capital of the Company of 253,639,456 Shares (after taking into account the valuation of the properties held by the Group as set out in the property valuation reports in Appendix III and IV to this circular, no adjustment is needed for the audited consolidated net asset value of the Company as at 31 December 2019); and

(h) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 15.12% of the theoretical diluted price of HK$0.219 per Share to the benchmarked price of HK$0.258 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.250 per Share and the average closing price of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.258 per Share).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares prior to the date of the Underwriting Agreement; (ii) the then prevailing market conditions; (iii) the fact that the Company recorded a loss attributable to owners of the Company of approximately HK$37.92 million for the financial year ended 31 December 2018; and (iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "REASONS FOR THE RIGHTS ISSUE" below.

When determining the Subscription Price, the Directors have considered that the Shares have been traded on the Stock Exchange in the price range between HK$0.211 and HK$0.325 with an average closing price of approximately HK$0.257 in the past 6 months prior to the Last Trading Day (the "**Review Period**"). The Subscription Price of HK$0.20 represents a discount of approximately 22.18% to the average closing price of the Shares of approximately HK$0.257 during the Review Period which is close to that as comparing to the closing price of HK$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day. The Directors considered that the Review Period was an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment and that the level of Subscription Price demonstrated a reasonable discount to the Shareholders who wish to participate in the proposed Rights Issue.

At the same time, the Directors were also aware of the fact that the Subscription Price represents a discount of approximately 94.49% to the Interim NAV per Share. However, considering the level of closing price of the Shares during the Review Period as abovementioned, the Directors were of the view that the Shares had been consistently traded at a substantial discount to the Interim NAV per Share since the publication of the latest unaudited financial statements of the Group for the six months ended 30 June 2019 up to the Last Trading Day (ranging from a minimum discount of approximately 91.05% to a maximum discount of approximately 94.19%). Therefore, when determining the Subscription Price, the Directors considered that it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the Interim NAV per Share. If the Subscription Price was made with reference to the Interim NAV per Share, the willingness of the Shareholders to participate in the Rights Issue would be significantly reduced and the chance for the Company to procure an underwriter for the Rights Issue would even be slimmer, which would not be favourable to the long term development of the Company and the Shareholders as a whole.

The Directors are also aware that the Subscription Price represents a discount of approximately 94.27% to the Annual NAV per Share. Given that such discount rate is similar to the discount rate to the Interim NAV per Share and taken into account the reasons stated above, the Directors consider that the Subscription Price remains fair and reasonable.

Furthermore, after taking into consideration the reasons for the Rights Issue as stated in the section headed "REASONS FOR THE RIGHTS ISSUE" below, the Directors (excluding the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion is set forth in the "Letter from the Listing Rules IBC" and the "Letter from the Takeovers Code IBC" in this circular) consider that the terms of the Rights Issue and the Underwriting Agreement, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK$0.193.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on record date which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Tuesday, 9 June 2020 by ordinary post to the allottees, at their own risk, at their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

Fractions of Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Rights Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Wednesday, 10 June 2020 to Friday, 3 July 2020 (both dates inclusive). Holders of the Shares in odd lots represented by the existing certificates for the Shares who wish to take advantage of this facility either to acquire odd lots of the Shares to make up a full board lot or dispose of their odd lots of the Shares may, directly or through their broker, contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong or by telephone at (852) 2868 1063 or by facsimile at (852) 2869 8807 during such period.

Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is on the best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy and any other applicable fees and charges in Hong Kong.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is wholly-owned by CNA, a Substantial Shareholder of the Company which is beneficially interested in an aggregate of 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any Net Gain, that is realised from the Compensatory Arrangement will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m. on Thursday, 4 June 2020, Placees for all (or as many as possible) of those Unsubscribed Rights Shares and NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);

(iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK$100 or more will be paid to them in HK Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

THE PLACING AGREEMENT

The Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date of Placing Agreement	:	The original placing agreement was signed on 10 January 2020 and the two Supplemental Placing Agreements were signed on 31 January 2020 and 7 April 2020 respectively.
Placing Agent	:	Merdeka Securities Limited has been appointed as the Placing Agent to procure, on a best effort basis, the Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates. As at the Latest Practicable Date, the Placing Agent does not hold any Shares.
Placing fee	:	A fixed fee of HK$100,000.
Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe)	:	The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price. The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.

Placee(s)	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies). For the avoidance of doubt, no Placee shall become a Substantial Shareholder of the Company.
Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
Condition Precedent	:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional.
Placing Completion Date	:	Tuesday, 9 June 2020 or such other date as the Company and the Placing Agent may agree in writing.
Termination	:	If, prior to the Latest Placing Time: (1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by: (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Placing Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing,

the Placing Agent shall be entitled, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms with reference to the rights issue/open offer transactions with compensatory arrangements of the issuers listing on the Stock Exchange in the one-year period prior to the date of the Placing Agreement. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent rights issue/open offer transactions with compensatory arrangements and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms. The Directors believe that the placing fee is an expense which is typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, the Directors (excluding the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion is set forth in the "Letter from the Listing Rules IBC" and the "Letter from the Takeovers Code IBC" in this circular) consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

The Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings. Material terms of the Underwriting Agreement are set out below:

Date of Underwriting Agreement	:	The original underwriting agreement was signed on 10 January 2020 and the two Supplemental Underwriting Agreements were signed on 31 January 2020 and 7 April 2020 respectively.
Underwriter	:	Smithfield Ventures Limited The Underwriter is wholly-owned by CNA, which is in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek and the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong.

Total number of Rights Shares underwritten by the Underwriter	:	423,698,912 Rights Shares (which do not include 83,580,000 Rights Shares that CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan have undertaken to subscribe pursuant to the Irrevocable Undertakings and assuming no new Share will be issued and no Share will be repurchased on or before the Record Date).
Commission	:	The Underwriter will not receive any underwriting commission.

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter after having considered (i) the financial position of the Group where the Group recorded a loss of approximately HK$38.22 million for the year ended 31 December 2018; (ii) the size of the Rights Issue with 423,698,912 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement and the gross proceeds of approximately HK$101.46 million from the Rights Issue; and (iii) the current and expected market conditions in view of the recent social unrest in Hong Kong and global economic uncertainty arising from the impact of trade war between the United States of America and the PRC.

As mentioned in the sub-section headed ‘‘Issue statistics’’ in the section headed ‘‘PROPOSED RIGHTS ISSUE’’ in this Letter from the Board, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Notwithstanding the above, the Directors (excluding the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion is set forth in the ‘‘Letter from the Listing Rules IBC’’ and the ‘‘Letter from the Takeovers Code IBC’’ in this circular) are of the view that the terms of the Underwriting Agreement and the transactions contemplated thereunder are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Prior to approaching the Underwriter, the Company approached two independent securities brokers which are market participants involving in underwriting of securities for Hong Kong listed companies with small to medium size of market capitalisation that were referred to the Company by the financial adviser of the Company to act as the underwriter to the Rights Issue, but none of them was willing to act as the underwriter to the Rights Issue given the prevailing market conditions in view of the recent social unrest in Hong Kong and global economic uncertainty arising from the impact of trade war between the United States of America and the PRC. Thereafter, the Company approached the Underwriter which is wholly-owned by CNA and is in turn beneficially owned by Preserve Capital Trust.

It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter's role as an underwriter in respect of the Rights Issue and the Irrevocable Undertakings given by CNA and Mr. Suek signify strong support from the Substantial Shareholder of the Company to the Group and its confidence in the prospects and development of the Group.

At the time of signing the Underwriting Agreement, the Subscription Price was set at a discount to the then recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company. The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the recent closing prices of the Shares prior to the date of the Underwriting Agreement; (ii) the prevailing market conditions; (iii) the fact that the Company recorded a loss attributable to owners of the Company of approximately HK$37.92 million for the financial year ended 31 December 2018; and (iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "REASONS FOR THE RIGHTS ISSUE" below.

Having considered the aforesaid factors, the Directors consider that selecting a company wholly-owned by a Substantial Shareholder of the Company, which is willing to support the continuing growth of the Group, as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

(1) the passing by the Independent Shareholders at the SGM of (i) ordinary resolution(s) to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Shares to the Non-Qualifying Shareholders) and the Underwriting Agreement; and (ii) a special resolution to approve the Whitewash Waiver by no later than the Prospectus Posting Date;

(2) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of any condition attached to the Whitewash Waiver granted;

(3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;

(4) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;

(5) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;

(6) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

(7) the delivery of the duly signed Irrevocable Undertakings to the Company; and

(8) compliance with and performance of all the undertakings and obligations of the signatory of each of the Irrevocable Undertakings.

None of the above conditions precedent is capable of being waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or such later time and/or date as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the the Latest Practicable Date, the Company has 253,639,456 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to the completion Date of the Rights Issue, save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have provided the Irrevocable Undertakings, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and (iv) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have provided the Irrevocable Undertakings, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter:

	(i) As at the Latest Practicable Date		(ii) Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		(iii) Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements		(iv) Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
CNA *(note 1)*	39,872,000	15.72	119,616,000	15.72	119,616,000	15.72	119,616,000	15.72
Mr. Suek *(note 1)*	1,210,000	0.48	3,630,000	0.48	3,630,000	0.48	3,630,000	0.48
The Underwriter *(note 2)*	–	–	–	–	–	–	423,698,912	55.68
Mr. Suek Chai Hong *(notes 3 and 6)*	700,000	0.28	2,100,000	0.28	2,100,000	0.28	2,100,000	0.28
Dr. Ng Wai Kwan *(notes 4 and 6)*	8,000	0.01	24,000	0.01	24,000	0.01	24,000	0.01
Mr. Wong Sun Fat *(notes 5 and 6)*	100,000	0.03	300,000	0.03	100,000	0.01	100,000	0.01
Sub-total of the Underwriter and parties acting or presumed to be acting in concert with it	41,890,000	16.52	125,670,000	16.52	125,470,000	16.50	549,168,912	72.18
Other public Shareholders	211,749,456	83.48	635,248,368	83.48	635,448,368	83.50	211,749,456	27.82
Total	253,639,456	100.00	760,918,368	100.00	760,918,368	100.00	760,918,368	100.00

Notes:

1. Mr. Suek is the chairman of the Board and an executive Director. Mr. Suek is deemed to be interested in 41,082,000 Shares under the SFO, of which (i) 39,872,000 Shares are held by CNA which in turn is beneficially owned by Preserve Capital Trust; and (ii) 1,210,000 Shares are held by Mr. Suek personally.

2. The Underwriter is wholly-owned by CNA which in turn is beneficially owned by Preserve Capital Trust.

3. Mr. Suek Chai Hong is the uncle of Mr. Suek and an executive Director.

4. Dr. Ng Wai Kwan is the uncle of Mr. Suek and a non-executive Director.

5. Mr. Wong Sun Fat is a non-executive Director.

6. Each of Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat is a Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue. None of Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat is a party acting in concert with the Underwriter or Mr. Suek under the definition of "acting in concert" under the Takeovers Code.

7. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR THE RIGHTS ISSUE

The Group is principally engaged in (i) money lending; (ii) manufacturing and sale of printing products; (iii) artistes management, production and distribution of music albums; (iv) property development and investment; (v) securities trading; and (vi) trading of printing products.

Since 2019, the Group has commenced the business expansion plans for the manufacturing and sales of printing product and property development segments which involve long term investments and additional fund is required for such expansion. The business expansion plans are stated as follow:

As disclosed in previous announcements of the Company dated 30 October 2019, 5 November 2019, 5 December 2019, 23 December 2019 and 8 January 2020, the Group intended to expand its business of manufacturing of printing products by setting up a new production plant in Dongguan, the PRC, acquiring new machines for the production plants in Dongguan and Shenzhen, the PRC and upgrading the infrastructure of the existing production plants in Shenzhen, the PRC in order to improve the printing quality and increase the production capacity of the printing machines in order to meet the increasing quality requirements and demands of the existing and new customers of the Group.

However, having considered the recent economic uncertainty arising from the outbreak of the COVID-19, the Directors would like to implement the business expansion plan of the Group in a more prudent manner and put on hold the Group's plan to set up the new production plant in Dongguan, the PRC for the sake of risk management. Instead, the Group will seek to bolster its production capacity at its existing production plants in Shenzhen, the PRC and will renovate the existing production plants for installation of the new machinery recently purchased or to be purchased for the business expansion.

In addition, as disclosed in the annual report of the Company for the year ended 31 December 2018, the Group is actively seeking for cooperation opportunities with companies in other industry to better utilise and develop the land parcel in Qingyuan, the PRC. The Group is evaluating several potential cooperation proposals which are expected to be finalised and commence in 2020.

Due to the recent social unrest in Hong Kong and the global economic uncertainty arising from the impact of trade war between the United States of America and the PRC which adversely affect the business of export sales customers, the Group considers that the repayment of short-term bank loans can improve the overall financial performance and maintain a suitable and healthy gearing ratio of the Group.

The Board has considered other alternative means of fund raising, such as debt financing/ bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company as, save for the collaterals for the existing banking facilities, the Group does not have any other significant assets which can serve as collaterals for further bank loans. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs is high and additional borrowings will deteriorate the gearing position of the Group.

Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the right to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. Furthermore, placing of new Shares under general mandate can only raise funds in smaller size and if the Company offered a great discount to new subscriber(s) who is/are not existing Shareholder(s), it would further cause dilution impact to the existing Shareholders without being offered an opportunity to maintain their proportionate interests in the Company. Such arrangement would not be in the interest of the Shareholders as they cannot participate in the fund raising exercise.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). The Board considers that the Rights Issue effected on a pro-rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas open offer does not provide Shareholders with the flexibility to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or reduce their shareholding interests in the Company by disposing their rights entitlements in the open market. As such, the Board did not pursue the open offer which is considered to be less favourable to the Shareholders.

As at 31 December 2019, the Group's financial assets (the "**Financial Assets**") at fair value through profit or loss amounted to approximately HK$64.8 million. All Financial Assets are equity securities listed in Hong Kong (the "**Listed Financial Assets**").

Among the Listed Financial Assets, only one of them is recording gain (the "**Gain Listed Financial Asset**") and given that the average trading volume of the Gain Listed Financial Asset for the one-year period prior to and including the Last Trading Day was relatively low, disposal of the Gain Listed Financial Asset by the Group on the market would cause a significant pressure on the stock price of the Gain Listed Financial Asset which would directly affect the underlying gain. In addition, the Group received dividend income of approximately HK$1,088,000 from the Listed Financial Assets during the year ended 31 December 2019. Having considered the above, the Board considers that it is not an appropriate time to opt for asset monetisation and such asset monetisation is not in line with the Group's investment strategy.

Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Directors (excluding the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion is set forth in the "Letter from the Listing Rules IBC" and the "Letter from the Takeovers Code IBC" in this circular) consider that the Rights Issue is in the best interest of the Company and its Shareholders as a whole. The Rights Issue will not only strengthen the Group's capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

As at the Latest Practicable Date, the Company had two factories located in Shenzhen, the PRC (being "**SZ Factory A**" and "**SZ Factory B**", collectively the "**SZ Factories**") for the operation of the Group's printing business.

SZ Factory A is a self-owned factory and commenced its operations in 1991, which is currently with a size of approximately 82,570 square meters, equipped with approximately 370 machineries and 1,100 staffs. SZ Factory A is principally focusing on producing printing products of five major categories including packaging, label, paper products, paper bag and in-mold decoration ("**IMD**") products. For the year ended 31 December 2019, SZ Factory A achieved an annual production volume of approximately 910 million units. The average monthly expenses incurred by SZ Factory A during the year ended 31 December 2019 (including, but not limited to, all fixed cost, wages and overhead) was approximately RMB8.60 million.

SZ Factory B is a leased factory and commenced its operations in 2011, which is currently with a size of approximately 5,912 square meters, equipped with approximately 130 machineries and 270 staffs. SZ Factory B is principally focusing on printing of label products. For the year ended 31 December 2019, SZ Factory B achieved an annual production volume of approximately 325 million units. The average monthly expenses incurred by SZ Factory B during the year ended 31 December 2019 (including, but not limited to, all fixed cost, wages and overhead) was approximately RMB3.20 million.

Upon the utilisation of the Existing Cash (as defined below) and the implementation of the UOP (as defined below) in respect of the SZ Factories, the annual production volume of the SZ Factories will be increased by approximately 100 million units and the product defect rate will be significantly reduced, thereby enabling the Group to catch up the potential business growth in the market of the IMD products and meet customers' demand.

As at 31 December 2019, the Company had short term bank deposits and cash and cash equivalents of approximately HK$232.00 million ("**Existing Cash**"), of which approximately HK$123.00 million was denominated in RMB and approximately HK$109.00 million was denominated in HK Dollars or other currencies other than RMB, respectively.

In relation to the Existing Cash of approximately HK$123.00 million denominated in RMB, approximately HK$82.15 million have already been allocated for several major expenditures for the Group's PRC businesses which are anticipated to be incurred around the second half of 2020 which include:

- approximately HK$14.75 million (including relevant custom tariff and value-added tax payable), which is expected to be utilised by end of April 2020, for the remaining payment of the Heidelberg Speedmaster seven-color offset press with coating system used in SZ Factory A as announced by the Company on 5 December 2019. The Group has issued a letter of credit to the counter-party for the remaining payment. As at the Latest Practicable Date, such settlement was pending for the delivery of the machines, which was expected to be completed by end of April 2020;

- approximately HK$1.00 million, which is expected to be utilised by end of April 2020, for the annual license fee of the new enterprise resource planning system ("**ERP System**") in SZ Factory A in order to enhance the overall production and management efficiency of the factory;

- approximately HK$21.78 million, which is expected to be utilised by end of July 2020, for the renovation costs for SZ Factory A to fit in the new machineries to be acquired and the expanded production line;

- approximately HK$1.12 million, which is expected to be utilised by end of April 2020, for the renovation costs for SZ Factory B to accommodate some of the existing production lines to be relocated from SZ Factory A to SZ Factory B;

- approximately HK$31.67 million, which is expected to be utilised by end of June 2020, for the acquisition of new machineries to be installed in SZ Factory A for the purpose of expanding the Group's existing IMD products production line, which was originally planned to be deployed in the new production plant of the Group in Dongguan, the PRC and acquisition of other new machineries to replace the old machineries in SZ Factory A in order to expand the existing production capacity; and

- approximately HK$11.83 million, which is expected to be utilised by end of July 2020, for the upfront expenses and the first two instalments of the construction cost of the new industrial building to be constructed for the Qingyuan Project.

The remaining cash of approximately HK$40.85 million denominated in RMB is reserved for general working capital to support the daily operations of the Group's PRC business.

Whereas, for the Existing Cash of approximately HK$109.00 million denominated in HK Dollars or other foreign currencies:

– **approximately HK$40.00 million is reserved for the Group's money lending business for the following purposes:**

  The Company planned to accelerate the development of its money lending business by allocating extra fund (i.e. approximately HK$40.00 million) to such business segment.

  As disclosed in the final results announcement of the Company for the year ended 31 December 2019, the Group commenced the money lending business since the year ended 31 December 2014. The revenue generated from the money lending business were approximately HK$7.20 million and approximately HK$8.50 million for the year ended 31 December 2018 and 31 December 2019, respectively. The Group's gross loans receivable from customers were approximately HK$80.80 million as at 31 December 2018 and approximately HK$67.60 million as at 31 December 2019. Although the size of loan portfolio decreased in 2019, the loan interest income increased by approximately 18.1% for the year ended 31 December 2019.

  As at 31 December 2019, the Group had 17 customers which comprised both individuals and corporations in its money lending business, with an aggregate loan portfolio of approximately HK$67.60 million which bore an average interest rate of approximately 12% per annum.

  Having considered the increase of the loan interest income for the year ended 31 December 2019 despite the reduction of the size of the loan portfolio during the year, the Company decided to allocate more resources to this segment in order to generate more stable interest income to the Group so as to mitigate the adverse impact caused by the ongoing trade war between the United States of America and the PRC to the Group's PRC business and had reserved approximately HK$30.00 million from its Existing Cash for such purpose.

  On the other hand, as disclosed in the final results announcement of the Company for the year ended 31 December 2019, the Company has developed an online money lending platform with fin-tech elements since the third quarter of 2019 to provide more value-added services to its customers, especially for personal loan market. The development of such online money lending platform is currently in the final testing stage and expected to be launched to the market in or about April 2020. The Company intended to allocate approximately HK$10.00 million from its Existing Cash as fund available for potential loans to be granted to customers on the online money lending platform.

– **approximately HK$7.00 million is reserved for supporting the Group's music and entertainment business which shall be utilised between the second and third quarter of 2020, of which:**

(i) approximately HK$1.00 million will be allocated to the production of music products pursuant to a song licencing contract;

(ii) approximately HK$1.00 million will be reserved for the contracted advance payment of the song licencing fee;

(iii) approximately HK$0.50 million will be allocated to the marketing cost for the music products in the PRC market; and

(iv) approximately HK$4.50 million will be reserved for the working capital for the Group's music and entertainment business;

– **approximately HK$16.90 million is reserved for the Group's new face mask production business as announced by the Company on 20 March 2020 and the mass production of face masks is planned to commence in April 2020, of which:**

(i) approximately HK$12.00 million will be reserved for the expected production cost for first three months after the commencement of the production;

(ii) approximately HK$0.30 million will be utilised in the relevant licencing fee and the upfront expenses;

(iii) approximately HK$1.00 million has been utilised in setting up the clean room which is required for the production of face masks;

(iv) approximately HK$1.40 million has been utilised in the renovation and project design of face mask workshop and office areas; and

(v) approximately HK$2.20 million has been utilised in the acquisition of two sets of face mask production machines;

– **approximately HK$2.00 million is reserved for the major maintenance work for Hop Yick Commercial Centre which is an investment property of the Group located in Yuen Long, Hong Kong which is expected to be utilised by end of June 2020;**

– **approximately HK$0.50 million is reserved for the renovation of the storage warehouse located in Fanling, Hong Kong for the Group's storage of inventories of its trading business and manufacturing and sales business which is expected to be utilised by end of June 2020;**

- **approximately HK$2.00 million is reserved for the digitisation of the Group's accounting documents which is expected to be utilised by end of June 2020;**

- **approximately HK$1.00 million is reserved for the installation of solar power panels in the industrial property owned by the Group in Fanling, Hong Kong as the Group has joined the renewable energy scheme organised by CLP Power Hong Kong Limited;**

- **approximately HK$25.16 million is reserved for the general working capital and the corporate expenses of the Group for the upcoming 12-month period, including**

  (i) rent and rates of approximately HK$2.11 million;

  (ii) staff costs and directors' fee of approximately HK$11.66 million;

  (iii) general office and corporate expenses of approximately HK$3.40 million; and

  (iv) legal, professional and services expenses of approximately HK$7.99 million;

- **the remaining balance of approximately HK$14.44 million is reserved for (i) the payment of other relevant costs incurred in Hong Kong relating to the manufacturing and sales of printing products business of the Group in the PRC; and (ii) future potential investment opportunity.**

The Directors consider that despite the Existing Cash on hand, the majority of them has already been reserved for the purpose of either maintaining or strengthening the Group's businesses as disclosed above. Given the extensive range of business scope of the Group, including both operations in the PRC and Hong Kong, the required capital amount for maintaining the business operations is substantial, in particular the Group's PRC business is capital intensive in nature and the ongoing trade war between the United States of America and the PRC and the outbreak of the COVID-19 worldwide had inevitably exerted adverse impact to the cash inflow generated from the Group's businesses. The Directors consider that it is essential to reserve sufficient cash level and lower the Group's gearing ratio to combat the forthcoming challenges posed by the uncertain business environment. Apart from maintaining the existing operations, it is always the Directors' strategy to strengthen or expand the Group's business operations when suitable opportunities arise in order to generate the best return for the Shareholders and hence, the Directors had also reserved part of the Existing Cash for such purposes.

Having considered the utilisation of the Existing Cash, the business opportunities faced by the Group, the importance of lowering the Group's gearing ratio under the uncertain business environment and the unwillingness of banks to offer debt financing plan at terms acceptable to the Company, the Directors proposed to conduct the Rights Issue to raise fund to align with the business strategy that has always been adopted by the Group.

The gross proceeds from the Rights Issue amount to approximately HK$101.46 million before expenses. The estimated expenses in relation to the Rights Issue in the sum of approximately HK$3.50 million, including the financial, legal, and other professional advisory fees, placing fee, printing and translation expenses, will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$97.96 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue for the following purposes ("**UOP**"):

(i) approximately HK$40 million for repayment of the Group's shipment loans and funding the operation of the business of manufacturing and sale of printing products

The Company used to fund the operation of its business of manufacturing and sale of printing products by income generated from sales, internal resources of the Group as well as short term post-shipment buyer loans and post-shipment seller loans (collectively the "**Short-term Shipment Loans**"). Post-shipment buyer loans are loans provided by commercial bank to the Group as a way to bridge the cashflow gap between the Group paying its suppliers for goods or services and receiving payment from the Group's customers. Post-shipment seller loans are loans provided by bank to the Group as supplier in its export sales business against evidence of shipment of goods by the Group so as to bridge the cashflow gap between shipment of goods and receiving payment from the Group's customers. As at the Latest Practicable Date, the Group has been granted a facility for the Short-term Shipment Loans for a maximum principal amount of up to HK$80 million with a standard credit term of 120 days and the Short-term Shipment Loans must be repaid by the Group on the due date. Normally, the Group used to control the drawdown of the Short-term Shipment Loans to a principal amount of approximately HK$40 million which is considered by the Company to be an optimal level to maintain a healthy liquidity position of the Group and at the same time balancing the funding requirements of the Group, the interest expenses and administrative costs and burden pertaining to the Short-term Shipment Loans.

However, the Short-term Shipment Loans are subject to a number of restrictions and drawbacks. Unlike the usual revolving loans granted by banks, the bank's approval of post-shipment buyer loans requires the provision of purchase invoice and documentary proof of payment by the Group to its suppliers whereas the bank's approval of post-shipment seller loans requires the provision of sales invoice and shipment proof by the Group. Hence, the obtaining of the Short-term Shipment Loans depends heavily on the Group's trade situation and the availability of sales or purchase invoices which are qualified for the Short-term Shipment Loans. Given the ongoing trade war between the United States of America and the PRC, the sales amount of the Group's export printing sales business has decreased by approximately 16% for the year ended 31 December 2019 as compared with the year ended 31 December 2018. The situation is worsened by the outbreak of COVID-19 worldwide in the first quarter of 2020 when the PRC factories of some of the Group's suppliers were temporarily suspended, which led to a decrease in the purchase orders placed by the Group with its suppliers. These have adversely affected the Group's ability to apply for new Short-term Shipment Loans and therefore have posed negative impact on the cashflow of the Group.

Furthermore, the credit term of the Short-term Shipment Loans is short. Although due to the outbreak of the COVID-19 worldwide, the bank has extended the credit term of all Short-term Shipment Loans which were drawn down before 30 June 2020 from the original 90 days to 120 days, the Group is still facing increasingly challenging cashflow issue given that the export sales business of the Group has been seriously affected by the COVID-19 pandemic by reason of the import restrictions in the United States of America and certain European countries where some of the Group's major customers for export sales are located. With the import restriction in such other countries, the Group may not be able to ship its manufactured products to its customers and thereby will not be able to acquire new Short-term Shipment Loans with such sales invoices as no shipment proof is available. At the same time, the customers' payment to the Group will also be delayed. As such, the Group is under increasing cashflow pressure as it has to resort to its own internal resources and/or other means of funding in order to repay the Short-term Shipment Loans when they become due and on the other hand, to pay its fixed outgoings and expenses incurred in the daily operation of its business of manufacturing and sale of printing products. Without taking into account those variable expenditures such as the costs of raw materials, the average monthly expenses incurred by the two SZ Factories for the business of manufacturing and sale of printing products of the Group during the year ended 31 December 2019 (including, but not limited to, all fixed costs, wages and overhead) was approximately RMB11.80 million in aggregate.

The potential cashflow issue faced by the Group was evidenced in March 2020 when HK$28.70 million of the Short-term Shipment Loans were due for repayment at the end of March. The amount due was eventually settled partly by the new Short-term Shipment Loans obtained by the Group which was only in the amount of approximately HK$11.70 million due to the decrease in the Group's trading volume in the first quarter of 2020 and the remaining balance of HK$17.00 million was settled by the Group with its internal resources.

As at 31 March 2020, the outstanding amount of the Short-term Shipment Loans were approximately HK$29.04 million and bore interest at the rate ranging from 2.54% to 3.68% per annum. The outstanding amount of the Short-term Shipment Loans will vary from time to time depending on the Group's trading situation and the maturity date of the individual Short-term Shipment Loan granted by the bank.

Taking into account the aforesaid restrictions and uncertainties pertaining to the Short-term Shipment Loans, the Company considers that Short-term Shipment Loans are not a reliable source of funding for the business operation of the Group. Therefore, the Company believes that the proceeds from the Rights Issue can enable the Group to repay the Short-term Shipment Loans that remain outstanding after the completion of the Rights Issue, thereby reducing its reliance on the Short-term Shipment Loans for funding the operation of the Group's business of manufacturing and sale of printing products, lessening the administrative burden and finance costs which will otherwise be incurred for the Short-term Shipment Loans, improving the liquidity of the Group, and minimising cashflow pressure of the Group which is considered to be essential under the existing business environment.

(ii) approximately HK$13.48 million for the Qingyuan Project

The parcel of land of the Qingyuan Project is located at North of Lianhu Industrial Zone, Qingcheng District, Qingyuan City, Guangdong Province, the PRC, numbered N32000004 and with a total site area of approximately 208,000 square metres. The Group plans to construct industrial buildings on the land which will be leased or sold to research centres and relevant enterprises in the biomedical industry and such plan has been approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee Office in March 2020. It is preliminarily anticipated that the land will be fully developed in three years and the Group may or may not cooperate with other business partners to jointly develop the land.

The Qingyuan Project is expected to commence during the second quarter of 2020.

Details of the land, including its market value as at 29 February 2020, are set out in Appendix IV "Property Valuation Report II" to this circular.

(iii) approximately HK$39.27 million for the acquisition of printing machines for the SZ Factories and the upgrading of the information technology system of the SZ Factory A

Acquisition of printing machines

– approximately HK$32.73 million will be used for the acquisition for SZ Factory A of new printing machines and relevant facilities/equipment, which was originally planned to be deployed in the new factory of the Group in Dongguan, the PRC for (i) the further expansion of the existing production line of the new IMD products for electronic devices in order to catch up the potential business growth in the IMD products market; (ii) facilitating the new orders from existing and potential customers as all the existing production lines have already been fully utilised and reached full capacity with purchase orders from existing customers; (iii) replacing the existing machineries which are deteriorated and no longer be able to meet the increasing quality requirement of existing and potential clients; and (iv) satisfying the short turnaround time of customers' orders (i.e. within 30 days) which require more new and advanced machineries.;

– approximately HK$5.00 million will be used for the replacement or upgrade of printing and auxiliary machines to improve the production capacity of existing production lines in the SZ Factories; and

Information technology system

– approximately HK$1.54 million will be used for the final installment fee of the ERP System and the upgrading of the existing computer and relevant equipment for SZ Factory A. The ERP System has been installed in SZ Factory A since 1 January 2020 and has improved the operation and management efficiency of SZ Factory A.

(iv) the remaining net proceeds of approximately HK$5.21 million will be used as the Group's general working capital

Although some of the Existing Cash will be applied on the same projects/factories as those intended under the UOP, the Existing Cash and the UOP will be applied for expenditures incurred or to be incurred at different phrases of the Group's business development plan. As such, the Company confirms that the usages of the Existing Cash do not overlap with the UOP.

The Company anticipated that the recent outbreak of the COVID-19 worldwide would further exert pressure to the Group's business operations, especially to its printing business with factories located in the PRC and the revenue of which represented approximately 88% of the total revenue of the Group for the year ended 31 December 2019. The collection of accounts receivables has significantly slowed down since the outbreak of the COVID-19, especially for domestic sales business. It is expected that the COVID-19 outbreak will inevitably exert negative impact on the cash inflow of the Company in 2020. It is therefore crucial for the Company to maintain a sufficient cash level for facing the upcoming potential challenges in the uncertain economic environment given the capital intensive nature of the Group's PRC business.

Having considered (i) the intended usage of the Existing Cash and the UOP as discussed above; (ii) that the Existing Cash and the UOP will be applied for expenditures incurred or to be incurred at different phrases of the Group's business development plan; and (iii) that it is crucial for the Company to maintain a sufficient cash level for facing the upcoming potential challenges in the uncertain economic environment, the Board is of the view that the Company has the funding needs to facilitate the operation and development of the Group and the Rights Issue can provide additional source of funding for the Group's business development plan (which are set out in the UOP) which is necessary and beneficial to the Company and the Shareholders as a whole.

Having said the above, given the existing financial position of the Company, the Directors believe that the Company will have sufficient working capital to meet the short-term potential challenges posed by the COVID-19 threat and the Company has no plan to reserve any of the proceeds from the Rights Issue for other usages except for the UOP. The Company believes that the COVID-19 outbreak has no material impact on the intended utilisation of the proceeds from the Rights Issue. The Company will comply with the Listing Rules if there shall be any changes in the use of proceeds of the Rights Issue in future.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the date of the Announcement.

INFORMATION ON THE UNDERWRITER

The Underwriter, Smithfield Ventures Limited, is an investment holding company incorporated in the British Virgin Islands with limited liability, and is not engaged in underwriting of issue of securities in its ordinary course of business. The Underwriter is wholly-owned by CNA, which is in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek, the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong.

It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

As the Underwriter is wholly-owned by CNA, a Substantial Shareholder of the Company, Rule 7.19(1)(b) of the Listing Rules has been complied with.

LISTING RULES IMPLICATIONS

Rights Issue

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling Shareholder. As such, Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan, and Mr. Wong Sun Fat and their respective associates (including but not limited to CNA) shall abstain from voting in favour of the resolution to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM.

Underwriting Agreement

The Underwriter is wholly-owned by CNA, which is in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek. As at the Latest Practicable Date, CNA was beneficially interested in 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Shareholders with a material interest in the transactions contemplated under the Underwriting Agreement are required to abstain from voting on the relevant resolution at the SGM. By virtue of the connection among CNA, Mr. Suek and the Underwriter, each of CNA and Mr. Suek is deemed to have a material interest in the transactions contemplated under the Underwriting Agreement. Hence, each of CNA, Mr. Suek and their respective associates shall abstain from voting on the resolution to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 41,890,000 Shares, representing approximately 16.52% of the issued share capital of the Company (16.20% if class (6) presumption under the definition of "acting in concert" in the Takeovers Code are excluded). Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings) and no placement is made under the Compensatory Arrangements, the Underwriter will be required to take up 423,698,912 Rights Shares. In such circumstance and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" in the Takeovers Code only (i.e. Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat)) will, in aggregate, be interested in 546,944,912 Shares, representing approximately 71.88% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted. Upon completion of the Rights Issue, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat will no longer be presumed as acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder. If the Whitewash Waiver is not granted by the Executive, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; the Underwriter, its associates and parties acting in concert with the Underwriter; and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. As such, CNA, Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan, Mr. Wong Sun Fat and their respective associates shall abstain from voting on the resolution to approve the Whitewash Waiver at the SGM.

Upon completion of the Rights Issue, the maximum potential holding of the Underwriter may exceed 50% of the then total number of issued Shares in which case, the Underwriter may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the date of the SGM. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

SGM

The register of members of the Company will be closed from Friday, 24 April 2020 to Monday, 4 May 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

Save as disclosed in the sections headed "LISTING RULES IMPLICATIONS" and "TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER" above, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver and, hence, is required to abstain from voting on the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

ESTABLISHMENT OF THE LISTING RULES IBC, THE TAKEOVERS CODE IBC AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Listing Rules IBC, comprising all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui), to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price), and as to the voting action therefor.

The Company has also established the Takeovers Code IBC, comprising two non-executive Directors (namely Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat) and all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui) to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Whitewash Waiver, and as to the voting action therefor. Dr. Ng Wai Kwan, as a non-executive Director and the uncle of Mr. Suek, has been excluded from the members of the Takeovers Code IBC.

VMS Securities has been appointed as the Independent Financial Adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF THE PROSPECTUS DOCUMENTS

The Prospectus Documents will be despatched to the Qualifying Shareholders on Friday, 15 May 2020 after obtaining the approval of the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder and the Whitewash Waiver from the Independent Shareholders at the SGM. Only the Prospectus will be despatched to the Non-Qualifying Shareholders for their information. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Rights Issue.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "THE UNDERWRITING AGREEMENT" in this Letter from the Board). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 6 May 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 19 May 2020 to Tuesday, 26 May 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Listing Rules IBC, having taken into account the principal factors and reasons considered by, and the advice of VMS Securities, considers that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder.

The Takeovers Code IBC, having taken into account the principal factors and reasons considered by, and the advice of VMS Securities, considers that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Whitewash Waiver are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, the Takeovers Code IBC recommends the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (ii) the special resolution to be proposed at the SGM to approve the Whitewash Waiver.

Further, the Directors consider that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Whitewash Waiver are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to (i) the letter from the Listing Rules IBC; (ii) the letter from the Takeovers Code IBC; and (iii) the letter from VMS Securities to the Listing Rules IBC and Takeovers Code IBC in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver, all of which are contained in this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Neway Group Holdings Limited
Suek Chai Hong
Chief Executive Officer

The following is the text of a letter of recommendation from the Listing Rules IBC to the Independent Shareholders which is prepared for the purpose of inclusion in this circular.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

9 April 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF 507,278,912 RIGHTS SHARES AT HK$0.20 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE; AND (2) CONNECTED TRANSACTION

We refer to the circular of the Company dated 9 April 2020 (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Listing Rules IBC to advise the Independent Shareholders as to whether the terms of Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the SGM. VMS Securities has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice of VMS Securities, together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 57 to 106 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

* *For identification purpose only*

Having taken into account the principal factors and reasons considered by and the advice of VMS Securities, we consider that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully
The Listing Rules IBC

Mr. LEE Kwok Wan **Mr. LAI Sai Wo, Ricky** **Mr. CHU Gun Pui**
Independent non-executive Directors

The following is the text of a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders which is prepared for the purpose of inclusion in this circular.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

9 April 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE OF 507,278,912 RIGHTS SHARES AT HK$0.20 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE; (2) CONNECTED TRANSACTION; AND (3) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 9 April 2020 (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Takeovers Code IBC to advise the Independent Shareholders as to whether the terms of Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Whitewash Waiver are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the SGM. VMS Securities has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice of VMS Securities, together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 57 to 106 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

* *For identification purpose only*

Having taken into account the principal factors and reasons considered by, and the advice of VMS Securities, we considered that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price), and the Whitewash Waiver are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (ii) the special resolution to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully
The Takeovers Code IBC

Mr. CHAN Kwing Choi, Warren
Non-executive Director

Mr. WONG Sun Fat
Non-executive Director

Mr. LEE Kwok Wan
Independent non-executive Director

Mr. LAI Sai Wo, Ricky
Independent non-executive Director

Mr. CHU Gun Pui
Independent non-executive Director

The following is the full text of the letter of advice from the Independent Financial Adviser, VMS Securities Limited, to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.

VMS Securities Limited
49/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

9 April 2020

To: the Listing Rules IBC,
the Takeovers Code IBC and
the Independent Shareholders of
Neway Group Holdings Limited

Dear Sirs or Madams,

(1) PROPOSED RIGHTS ISSUE OF 507,278,912 RIGHTS SHARES AT HK$0.20 PER RIGHTS SHARE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE;
(2) CONNECTED TRANSACTION;
AND
(3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Whitewash Waiver, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 9 April 2020 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The Company proposed to raise gross proceeds of approximately HK$101.46 million (before expenses) on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date by issuing 507,278,912 Rights Shares at the Subscription Price of HK$0.20 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

On 10 January 2020, the Company and the Underwriter entered into the Underwriting Agreement in respect of the Rights Issue. The Rights Issue is fully underwritten by the Underwriter other than those agreed to be taken up by CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings. As stated in the Letter from the Board, the Underwriter has conditionally agreed to underwrite 423,698,912 Rights Shares (being all the Rights Shares but excluding 83,580,000 Rights Shares that have been undertaken to be subscribed by CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings and assuming no new Share will be issued and no Share will be repurchased on or before the Record Date) pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date, CNA is beneficially interested in an aggregate of 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares. CNA is beneficially owned by Preserve Capital Trust. Mr. Suek is personally beneficially interested in an aggregate of 1,210,000 Shares, representing approximately 0.48% of the existing issued Shares. Mr. Suek Chai Hong, an executive Director and the chief executive officer of the Company, is beneficially interested in an aggregate of 700,000 Shares, representing approximately 0.28% of the existing issued Shares. Dr. Ng Wai Kwan, a non-executive Director, is beneficially interested in an aggregate of 8,000 Shares, representing approximately 0.01% of the existing issued Shares.

As stated in the Letter from the Board, pursuant to the Irrevocable Undertakings, each of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan has provided irrevocable and unconditional undertakings to the Company that (i) all the above Shares will continue to be beneficially owned by each of them on the Record Date; and (ii) each of them will accept and pay for 79,744,000 Rights Shares, 2,420,000 Rights Shares, 1,400,000 Rights Shares and 16,000 Rights Shares respectively to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling Shareholder. As such, Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan, and Mr. Wong Sun Fat and their respective associates, including but not limited to CNA, shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM.

As stated in the Letter from the Board, the Underwriter is wholly-owned by CNA, which is in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek. As at the Latest Practicable Date, CNA is beneficially interested in 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Shareholders with a material interest in the transactions contemplated under the Underwriting Agreement are required to abstain from voting on the relevant resolution at the SGM. By virtue of the connection among CNA, Mr. Suek and the Underwriter, each of CNA and Mr. Suek is deemed to have a material interest in the transactions contemplated under the Underwriting Agreement. Hence, each of CNA, Mr. Suek and their respective associates shall abstain from voting on the resolution to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 41,890,000 Shares, representing approximately 16.52% of the issued share capital of the Company (16.20% if class (6) presumption under the definition of "acting in concert" under the Takeovers Code are excluded). Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings) and no placement will be made under the Compensatory Arrangements, the Underwriter will be required to take up 423,698,912 Rights Shares. In such circumstance and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat)) will, in aggregate, be interested in 546,944,912 Shares, representing approximately 71.88% of the issued share capital of the Company as enlarged by the Rights Shares.

Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted. Upon completion of the Rights Issue, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat will no longer be presumed as acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" in the Takeovers Code.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder. If the Whitewash Waiver is not granted by the Executive, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

THE LISTING RULES IBC AND THE TAKEOVERS CODE IBC

The Listing Rules IBC, comprising all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui), has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and as to the voting action therefor. The Takeovers Code IBC, comprising two non-executive Directors (namely Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat) and all the independent non-executive Directors (namely Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui), has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor. Dr. Ng Wai Kwan, as a non-executive Director and the uncle of Mr. Suek, has been excluded from the members of the Takeovers Code IBC. We, VMS Securities Limited, have been appointed as the Independent Financial Advisor, to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the abovementioned matters.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not associated or connected with the Group, Preserve Capital Trust, Mr. Suek, or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fee paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we will receive any fees or benefits from the Group, Preserve Capital Trust, Mr. Suek, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser, there were no other engagements between VMS Securities and the Group, Preserve Capital Trust, Mr. Suek, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue, Underwriting Agreement and the Whitewash Waiver.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in this Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company (the "**Management**"), for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, the Directors, the Management and their respective advisers, which have been provided to us.

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 inquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management. Where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if they are in any doubt, they should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in (i) money lending; (ii) manufacturing and sale of printing products; (iii) artistes management, production and distribution of music albums; (iv) property development and investment; (v) securities trading; and (vi) trading of printing products.

2. Financial information of the Group

Set out below is a summary of the consolidated statement of profit or loss of the Group for the years ended 31 December 2017, 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**") and final results announcement for the year ended 31 December 2019 (the "**2019 Results Announcement**").

	For the year ended 31 December		
	2017	**2018**	**2019**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(Note)*			
Lending business	4,611	7,197	8,491
Manufacturing and sales business	458,620	525,691	490,000
Music and entertainment business	10,514	18,133	11,882
Property business	6,500	7,304	7,311
Trading business	33,775	33,838	42,900
Total revenue *(Note)*	**514,020**	**592,163**	**560,585**
Profit/(loss) for the year attributable to the equity holders of the Company	**48,146**	**(37,923)**	**(30,782)**
Adjusted profit/(loss) for the year attributable to the equity holders of the Company *(Note)*	**75,698**	**(30,843)**	**(27,164)**

Note: The Group's gaming distribution business was discontinued during the year ended 31 December 2019. The segment revenue and adjusted profit/(loss) for the year/ period attributable to the equity holders of the Company as shown above excluded amounts for the discontinued operation, namely the gaming distribution business.

The total revenue of the Group increased by approximately HK$78.2 million or 15.2% from approximately HK$514.0 million for the year ended 31 December 2017 to approximately HK$592.2 million for the year ended 31 December 2018. As disclosed in the 2018 Annual Report, such increase was mainly attributable to the increase in revenue from manufacturing and sales business of approximately HK$67.1 million as a result of the increase in sales orders from some of the Group's existing and new customers located in overseas countries and the PRC, especially the sales of paper products and paper shopping bags increased by approximately 17.1% and 148.0%, respectively.

The net loss attributable to equity holders of the Company was approximately HK$37.9 million for the year ended 31 December 2018. As disclosed in the 2018 Annual Report, such loss was mainly attributable to the decrease in the results of the Group's manufacturing and sales business, which was mainly due to a variety of market challenges and uncertainties in global economy, including but not limited to the appreciation of Renminbi against HK$, the soaring materials and operating costs, which undermined the profit margin of orders received, and the trade war between the United States of America (the "**U.S.**") and the PRC.

The total revenue of the Group decreased by approximately HK$31.6 million or 5.3% from approximately HK$592.2 million for the year ended 31 December 2018 to approximately HK$560.6 million for the year ended 31 December 2019. As shown in the table above, such decrease was mainly attributable to the decrease in revenue from manufacturing and sales business of approximately HK$35.7 million. As disclosed in the 2019 Results Announcement, such decrease was mainly due to a decrease in orders from certain existing overseas and domestic clients of the Group, especially those of packaging and paper shopping bags, which was partially offset by an increase in sales of label printing.

The net loss from continuing operations attributable to equity holders of the Company was approximately HK$27.2 million for the year ended 31 December 2019. As disclosed in the 2019 Results Announcement, such loss was mainly due to (i) the segment loss recorded in the music and entertainment business of approximately HK$7.2 million; (ii) the segment loss recorded in the property business of approximately HK$9.1 million; and (iii) the segment loss recorded in the securities trading business of approximately HK$14.9 million.

Set out below is a summary of the consolidated financial position of the Group as extracted from the 2018 Annual Report and the 2019 Results Announcement.

	As at 31 December		
	2017	**2018**	**2019**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	199,688	185,786	208,721
Current assets	757,642	664,679	587,982
Non-current assets	448,858	492,411	584,520
Total assets	1,206,500	1,157,108	1,172,502
Total bank borrowings	59,893	86,807	92,168
Current liabilities	185,885	218,890	229,744
Non-current liabilities	11,103	10,936	56,539
Total liabilities	196,988	229,826	286,283
Net current assets	571,757	445,807	358,238
Net assets	1,009,513	927,282	886,218

As at 31 December 2019, the Group's total bank borrowings amounted to approximately HK$92.2 million, all of which are repayable on demand. As at 13 March 2020, the committed borrowing facilities available to the Group but not drawn was approximately HK$28.4 million.

The non-current liabilities of the Group remained stable for the year ended 31 December 2017 and 2018.

The gearing ratio of the Group increased from approximately 7.9% as at 31 December 2017 to approximately 11.3% as at 31 December 2018. As advised by the Management, the increase was mainly due to the increase in bank borrowings for financing the daily operation of the manufacturing and sales business.

The non-current liabilities of the Group increased by approximately HK$45.6 million or 417.0%, from approximately HK$10.9 million as at 31 December 2018 to approximately HK$56.5 million as at 31 December 2019, which was primarily attributable to the increase in lease liabilities of approximately HK$54.6 million as a result of the adoption of new accounting standards (i.e. Hong Kong Financial Reporting Standards 16 "Leases") during the year.

The gearing ratio of the Group increased from approximately 11.3% as at 31 December 2018 to approximately 18.5% as at 31 December 2019, which was mainly due to the increase in lease liabilities of approximately HK$54.6 million which arose from the adoption of new accounting standards (i.e. Hong Kong Financial Reporting Standards 16 "Leases") during the year. If the lease liabilities were excluded, the gearing ratio of the Group remained stable as compared to that as at 31 December 2018.

As stated in the Letter form the Board, as at 31 December 2019, the Existing Cash of the Company amounted to approximately HK$232.00 million, of which approximately HK$123.00 million was denominated in RMB and approximately HK$109.00 million was denominated in HK$ or other currencies other than RMB, respectively.

In relation to the Existing Cash of approximately HK$123.00 million denominated in RMB as at 31 December 2019, approximately HK$82.15 million have already been allocated for several major expenditures for the Group's PRC businesses which are anticipated to be incurred during the second half of 2020 which include:

- approximately HK$14.75 million (including relevant custom tariff and value-added tax payable), which is expected to be utilised by end of April 2020, for the remaining payment of the Heidelberg Speed master seven color offset press with coating system used by SZ Factory A as announced by the Company on 5 December 2019. The Group has issued a letter of credit to the counterparty for the remaining payment. As at the Latest Practicable Date, such settlement was pending for the delivery of the machines, which was expected to be completed by end of April 2020;

- approximately HK$1.00 million, which is expected to be utilised by end of April 2020, for the annual license fee of the ERP System in SZ Factory A in order to enhance the overall production and management efficiency of the factory;

- approximately HK$21.78 million, which is expected to be utilised by end of July 2020, for the renovation costs for SZ Factory A to fit in the new machineries to be acquired and the expanded production line;

- approximately HK$1.12 million, which is expected to be utilised by end of April 2020, for the renovation costs for SZ Factory B to accommodate some of the existing production lines to be relocated from SZ Factory A to SZ Factory B;

- approximately HK$31.67 million, which is expected to be utilised by end of June 2020, for the acquisition of (i) new machineries to be installed in SZ Factory A for the purpose of expanding the Group's existing IMD products production line, which was originally planned to be deployed in the new production plant of the Group in Dongguan, the PRC; and (ii) acquisition of other new machineries to replace the old machineries in SZ Factory A in order to expand the existing production capacity; and

- approximately HK$11.83 million, which is expected to be utilised by end of July 2020, for the upfront expenses and the first two instalments of the construction cost of the new industrial building to be constructed for the Qingyuan Project.

The remaining cash of approximately HK$40.85 million denominated in RMB is reserved for general working capital to support the daily operations of the Group's PRC business.

Whereas, for the Existing Cash of approximately HK$109.00 million denominated in HK Dollars or other foreign currencies:

- approximately HK$40.00 million is reserved for the Group's money lending business:

  The Company planned to accelerate the development of its money lending business by allocating extra fund (i.e. approximately HK$40.00 million) to its money lending business.

  As disclosed in the 2019 Results Announcement, the Group commenced the money lending business since the year ended 31 December 2014. The revenue generated from the money lending business were approximately HK$7.20 million and approximately HK$8.50 million for the year ended 31 December 2018 and 31 December 2019, respectively. The Group's gross loans receivable from customers were approximately HK$80.80 million as at 31 December 2018 and approximately HK$67.60 million as at 31 December 2019. Although the size of loan portfolio decreased in 2019, the loan interest income increased by approximately 18.1% for the year ended 31 December 2019.

  As at 31 December 2019, the Group had 17 customers which comprise both individuals and corporations in its money lending business, with an aggregate loan portfolio of approximately HK$67.60 million which bore an average interest rate of approximately 12.00% per annum. As advised by the Management, the aforementioned customers were obtained either through referrals from independent financial agencies, other money lending companies in Hong Kong or walk-in customers, all of which, have passed the Group's internal background check and credit profile assessment, and most of which have pledged their respective properties under the mortgage loans to the Group. These customers include individuals and private companies in Hong Kong engaging in the business of investment holding. All of these customers are parties independent of and not connected with the Company and its connected persons.

Having considered the increase of the loan interest income for the year ended 31 December 2019 despite the reduction of the size of the loan portfolio during the year, the Company decided to allocate more resources on this segment in order to generate more stable interest income to the Group so as to combat the adverse impact caused by the ongoing trade war between the U.S. and the PRC and had reserved approximately HK$30.00 million from its Existing Cash for such purpose.

On the other hand, as disclosed in the 2019 Results Announcement, the Company has developed an online money lending platform with fin-tech elements since the third quarter of 2020 to provide more value-added services to the customers, especially for personal loan market. The development of the online money lending platform is currently in the final testing stage and expected to be launched to the market in or about April 2020. The Company intended to allocate approximately HK$10.00 million from its Existing Cash as fund available for potential loans to be granted to customers on the online money lending platform.

- approximately HK$7.00 million is reserved for supporting the Group's music and entertainment business of the Group in Hong Kong which shall be utilised between second and third quarter of 2020, of which:

  (i) approximately HK$1.00 million will be allocated to the production of music products pursuant to a song licensing contract;

  (ii) approximately HK$1.00 million will be reserved for the contracted advance payment of the song licensing fee;

  (iii) approximately HK$0.50 million will be allocated to the marketing cost for the music products in the PRC market; and

  (iv) approximately HK$4.50 million will be reserved for the working capital for the Group's music and entertainment business;

- approximately HK$16.90 million is reserved for the Group's new face mask production business as announced by the Company on 20 March 2020 and the mass production of face masks is planned to commence in April 2020, of which:

  (i) approximately HK$12.00 million will be reserved for the expected production cost for first three months after the commencement of the production;

  (ii) approximately HK$0.30 million will be utilised in the relevant licensing fee and the upfront expenses;

(iii) approximately HK$1.00 million has been utilised in setting the clean room which is required for the production of face masks;

(iv) approximately HK$1.40 million has been utilised in the renovation and project design of face mask workshop and office areas; and

(v) approximately HK$2.20 million has been utilised in the acquisition of two sets of face mask production machines;

- approximately HK$2.00 million is reserved for the major maintenance work for Hop Yick Commercial Centre, which is an investment property of the Group located in Yuen Long, Hong Kong. It is expected to be utilised by end of June 2020;

- approximately HK$0.50 million is reserved for the renovation of the storage warehouse located in Fanling, Hong Kong for the Group's storage of inventories of its trading business and manufacturing and sales business which is expected to be utilised by end of June 2020;

- approximately HK$2.00 million is reserved for the digitisation of the Group's accounting documents which is expected to be utilised by end of June 2020;

- approximately HK$1.00 million is reserved for the installation of solar power panels in the industrial property owned by the Group's in Fanling, Hong Kong for which the Group has joined the renewable energy scheme organised by CLP Power Hong Kong Limited;

- approximately HK$25.16 million is reserved for the general working capital and the corporate expenses of the Group for the upcoming 12-month period, including:

(i) rent and rates of approximately HK$2.11 million;

(ii) staff costs and directors' fee of approximately HK$11.66 million;

(iii) general office and corporate expenses of approximately HK$3.40 million; and

(iv) legal, professional and services expenses of approximately HK$7.99 million;

- the remaining balance of approximately HK$14.44 million is reserved for (i) the payment of other relevant costs incurred in Hong Kong relating to the manufacturing and sales of printing products business of the Group in the PRC; and (ii) future potential investment opportunity.

As stated in the Letter from the Board, the Directors consider that despite the Existing Cash on hand, majority of them has already been reserved for the purpose of either maintaining or strengthening the Group's businesses as disclosed above. Given the extensive range of business scope of the Group, including both operations in the PRC and Hong Kong, the required capital amount for maintaining the business operations is substantial, in particular the Group's PRC business is capital intensive in nature and the ongoing trade war between the U.S. and the PRC and the outbreak of the COVID-19 worldwide had inevitably exerted adverse impact to the cash inflow generated from the Group's businesses, the Directors consider that it is essential to reserve sufficient cash level and lower the Group's gearing ratio to combat the forthcoming challenges posed by the uncertain business environment. Apart from maintaining the existing operations, it is always the Directors' strategy to strengthen or expand the Group's business operations when suitable opportunities arise in order to generate the best return for the Shareholders and hence, the Directors had also reserved part of the Existing Cash for such purposes.

Having considering the utilisation of the Existing Cash, the business opportunities faced by the Group, the importance of lowering the Group's gearing ratio under the uncertain business environment and the unwillingness of banks to offer debt financing plan at terms acceptable to the Company, the Directors proposed to conduct the Rights Issue to raise fund to align with the business strategy that has always been adopted by the Group.

On the basis that (i) the majority of the Existing Cash is not idle and has been assigned for specific usages at relevant times detailed above and in the Letter from the Board in the Circular; (ii) the UOP is in the interest of the Company and the Shareholders as a whole as detailed in later section of this letter; (iii) the Rights Issue is considered to be a better financing alternative over other means of financing as detailed in later section of this letter; (iv) it is essential for the Group to retain sufficient cash level to prepare for the forthcoming challenging business environment as a result of the outbreak of COVID-19 and the uncertain global economy, we consider that the Rights Issue is fair and reasonable.

Although some of the Existing Cash will be applied on the same projects/factories as those intended under the UOP, the Existing Cash and the UOP will be applied for expenditures incurred or to be incurred at different phrases of the Group's business development plan. As such, the Company confirms that the usages of the Existing Cash do not overlap with the UOP.

Having considered (i) net losses recorded by the Group for the years ended 31 December 2018 and 2019; (ii) the increasing bank borrowings and gearing ratio of the Group; (iii) the Group's business strategy and expansion plans as detailed in later sections of this letter; (iv) most of the Existing Cash that is denominated in RMB has been allocated to the business plans of the Group as discussed in the section headed "3. Reasons for and benefits of the Rights Issue and the use of proceeds – (b) The business plans of the Group" in this letter below; (v) all of the Existing Cash that is denominated in HK$ has been reserved for the Group's existing business; and (vi) the need for the Group to retain sufficient financial resources and strengthen its capital base amid global economic uncertainties as well as the outbreak of the COVID-19 as detailed in later sections of this letter, we concur with the Board's view that it is in the interests of the Company and the Shareholders as a whole to raise new long-term financing to address the future cash flow requirements of the Group in the medium to long term and to improve the Group's financial and liquidity position.

3. Reasons for and benefits of the Rights Issue and the use of proceeds

(a) The use of proceeds

As stated in the Letter from the Board, the gross proceeds from the Rights Issue amounts to approximately HK$101.46 million before expenses. The estimated expenses, in the sum of approximately HK$3.50 million, in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, placing fee, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$97.96 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue for the following purposes:

(i) approximately HK$40.00 million for the repayment of the Short-term Shipment Loans and funding the operation of the business of manufacturing and sale of printing products;

(ii) approximately HK$13.48 million for the Qingyuan Project;

(iii) approximately HK$39.27 million for the acquisition of printing machines for the SZ Factories and the upgrading of the information technology system of the SZ Factory A; and

(iv) approximately HK$5.21 million for use as the Group's general working capital.

(b) The business plans of the Group

Repayment of the Short-term Shipment Loans

As stated in the Letter from the Board, the Company used to fund the operation of its business of manufacturing and sale of printing products by income generated from sales, internal resources of the Group as well as the Short-term Shipment Loans. Post-shipment buyer loans are loans provided by commercial bank to the Group as a way to bridge the cashflow gap between the Group paying its suppliers for goods or services and receiving payment from the Group's customers. Post-shipment seller loans are loans provided by bank to the Group as supplier in its export sales business against evidence of shipment of goods by the Group so as to bridge the cashflow gap between shipment of goods and receiving payment from the Group's customers. As at the Latest Practicable Date, the Group has been granted a facility for the Short-term Shipment Loans for a maximum principal amount of up to HK$80 million with a standard credit term of 120 days and the Short-term Shipment Loans must be repaid by the Group on the due date. Normally, the Group used to control the drawdown of the Short-term Shipment Loans to a principal amount of approximately HK$40 million which is considered by the Company to be an optimal level to maintain a healthy liquidity position of the Group and at the same time balancing the funding requirements of the Group, the interest expenses and administrative costs and burden pertaining to the Short-term Shipment Loans.

However, the Short-term Shipment Loans are subject to a number of restrictions and drawbacks. Unlike the usual revolving loans granted by banks, the bank's approval of post-shipment buyer loans requires the provision of purchase invoice and documentary proof of payment by the Group to its suppliers whereas the bank's approval of post-shipment seller loans requires the provision of sales invoice and shipment proof by the Group. Hence, the obtaining of the Short-term Shipment Loans depends heavily on the Group's trade situation and the availability of sales or purchase invoices which are qualified for the Short-term Shipment Loans. Given the ongoing trade war between the U.S. and the PRC, the sales amount of the Group's export printing sales business has decreased by approximately 16% for the year ended 31 December 2019 as compared with the year ended 31 December 2018. The situation is worsened by the outbreak of COVID-19 worldwide in the first quarter of 2020 when the PRC factories of some of the Group's suppliers were temporarily suspended, which led to a decrease in the purchase orders placed by the Group with its suppliers. These have adversely affected the Group's ability to apply for new Short-term Shipment Loans and therefore have posed negative impact on the cashflow of the Group.

Furthermore, the credit term of the Short-term Shipment Loans is short. Although due to the outbreak of the COVID-19 worldwide, the bank has extended the credit term of all Short-term Shipment Loans which were drawn down before 30 June 2020 from the original 90 days to 120 days, the Group is still facing increasingly challenging cashflow issue given that the export sales business of the Group has been seriously affected by the COVID-19 pandemic by reason of the import restrictions in the U.S. and certain European countries where some of the Group's major customers for export sales are located. With the import restriction in such other countries, the Group may not be able to ship its manufactured products to its customers and thereby will not be able to acquire new Short-term Shipment Loans with such sales invoices as no shipment proof is available. At the same time, the customers' payment to the Group will also be delayed. As such, the Group is under increasing cashflow pressure as it has to resort to its own internal resources and/or other means of funding in order to repay the Short-term Shipment Loans when they become due and on the other hand, to pay its fixed outgoings and expenses incurred in the daily operation of its business of manufacturing and sale of printing products. Without taking into account those variable expenditures such as the costs of raw materials, the average monthly expenses incurred by the two SZ Factories for the business of manufacturing and sale of printing products of the Group during the year ended 31 December 2019 (including, but not limited to, all fixed costs, wages and overhead) was approximately RMB11.80 million in aggregate.

The potential cashflow issue faced by the Group was evidenced in March 2020 when HK$28.70 million of the Short-term Shipment Loans were due for repayment at the end of March. The amount due was eventually settled partly by the new Short-term Shipment Loans obtained by the Group which was only in the amount of approximately HK$11.70 million due to the decrease in the Group's trading volume in the first quarter of 2020 and the remaining balance of HK$17.00 million was settled by the Group with its internal resources.

As at 31 March 2020, the outstanding amount of the Short-term Shipment Loans were approximately HK$29.04 million and bore interest at the rate ranging from 2.54% to 3.68% per annum. The outstanding amount of the Short-term Shipment Loans will vary from time to time depending on the Group's trading situation and the maturity date of the individual Short-term Shipment Loan granted by the bank.

Taking into account the aforesaid restrictions and uncertainties pertaining to the Short-term Shipment Loans, the Company considers that Short-term Shipment Loans are not a reliable source of funding for the business operation of the Group. Therefore, the Company believes that the proceeds from the Rights Issue can enable the Group to repay the Short-term Shipment Loans that remain outstanding after the completion of the Rights Issue, thereby reducing its reliance on the Short-term Shipment Loans for funding the operation of the Group's business of manufacturing and sale of printing products, lessening the administrative burden and finance costs which will otherwise be incurred for the Short-term Shipment Loans, improving the liquidity of the Group, and minimising cashflow pressure of the Group which is considered to be essential under the existing business environment.

We have reviewed two bank facilities letters and the summary table as at 13 March 2020, being the latest date on which comprehensive information of the loans of the Group were all updated and available, provided by the Company in relation to the Short-term Shipment Loans and noted that post-shipment buyer loans of approximately HK$42.28 million are due for repayment by 31 July 2020 and post-shipment seller loans of approximately HK$11.60 million are due for repayment by 13 May 2020. We also noted from the financial positions stated in the 2018 Annual Report and 2019 Results Announcement that the gearing ratio of the Group has been increasing during the recent years, from approximately 7.90% as at 31 December 2017 to approximately 11.30% as at 31 December 2018, and further increased to approximately 18.5% as at 31 December 2019. If the lease liabilities of the Group were excluded, the gearing ratio of the Group as at 31 December 2019 remained stable as compared to that as at 31 December 2018.

As disclosed in the 2018 Annual Report, finance costs increased from approximately HK$2.51 million for the year ended 31 December 2017 to approximately HK$3.10 million for the year ended 31 December 2018. As disclosed in the 2019 Results Announcement, the finance costs increased from approximately HK$3.10 million for the year ended 31 December 2018 to approximately HK$5.92 million for the year ended 31 December 2019.

We have also noted from our review of the facilities letters in relation to the Short-term Shipment Loans that the interest expenses are mainly linked to the Hong Kong Inter-bank Offered Rate ("**HIBOR**"). We noted from the data published by Hong Kong Association of Banks that HIBOR's have been historically fluctuated and subject to uncertainties. For instance, during the period from January 2017 to December 2019, the monthly average 1-month HIBOR fixing had fluctuated between 0.37% and 2.57%.

Having considered (i) the uncertainties arising from the global economies and the slow-down in the collection of accounts receivables of the Group since the outbreak of COVID-19; (ii) fluctuations in interest rates and hence uncertainties in the finance costs of the Group; (iii) the increasing bank borrowings, finance costs and gearing ratio of the Group; (iv) the Group's business and expansion plans, as detailed in later sections of this letter, which require additional capital; and (iv) the need for the Group to retain sufficient financial resources and strengthen its capital base amid global economic uncertainties, we concur with the view of the Board that the repayment of Short-term Bank Loans can improve the overall financial performance and maintain a suitable and healthy financial position of the Group, which is in the interests of the Company and the Shareholders as a whole.

The Qingyuan Project

As disclosed in the 2018 Annual Report and we noted from the Management, in 2017, the Group completed the land swap transaction with the Qingyuan government. Most of the civil works of the land parcel in Qingyuan were completed in the year ended 31 December 2018. However, due to the global economic uncertainty, the Group has re-evaluated the risk and return of establishing new production plants in Qingyuan for its manufacturing and sales business as substantial capital investment would be required.

As stated in the Letter from the Board, the Group is actively seeking for cooperation opportunities with companies in other industry to better utilise and develop the land parcel in Qingyuan, the PRC. The Group is evaluating several potential cooperation proposals which are expected to be finalised and commence in 2020.

The parcel of land of the Qingyuan Project is located at North of Lianhu Industrial Zone, Qingcheng District, Qingyuan City, Guangdong Province, the PRC, numbered N32000004 and with a total site area of approximately 208,000 square meters. The Group plans to construct industrial buildings on the land which will be leased to research centres and relevant enterprises in the biomedical industry and such plan has been approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee Office in March 2020. It is preliminarily anticipated that the land will be fully developed in three years and the Group may or may not cooperate with other business partners to jointly develop the land. The Qingyuan Project is expected to commence during the second quarter of 2020.

In this connection, we have obtained from the Management and reviewed the strategic cooperation memorandum in relation to the Qingyuan Project executed between the Group and two potential partners (the "**Potential Partners**"), which are Independent Third Parties as advised by the Management. We understand from the Management that the Group has been discussing the detailed development plan in relation to the land parcel in Qingyuan with the Potential Partners, including matters on (i) the introduction of projects to be implemented in the industrial park; and (ii) the participation in the design of the industrial park; and (iii) the sale and/or leasing of properties to be developed in the industrial park in the future.

As advised by the Management, the Group plans to commence the construction works of the industrial park in 2020. The first tendering process, which commenced in December 2019 for the engagement of a qualified contractor, has been completed. The Company is in the process of evaluating the tenders received. It is expected that the first phase of the development of the industrial park will incur construction costs of approximately RMB40 million, which involve the construction of one block of industrial building, which represents approximately 5.0% of the total planned gross floor area of the land parcel of the Qingyuan Project. The construction plan of the industrial park is subject to change upon the finalisation of the cooperation plan with the Potential Partners.

Having considered the above, we are of the view that the construction and development plan in Qingyuan is consistent with the Group's business plan since the year ended 31 December 2018.

Development of the SZ Factories

As set out in the Letter from the Board, the Group originally planned to expand its business of manufacturing of printing products by (i) setting up a new production plant in Dongguan, the PRC; (ii) acquiring new machines for the production plants in Dongguan and Shenzhen, the PRC; and (iii) upgrading the infrastructure of the existing production plants in Shenzhen, the PRC, in order to improve the printing quality and increase the production capacity of the printing machines in order to meet the increasing quality requirements and demands of the existing and new customers of the Group.

However, having considered the recent economic uncertainty arising from the outbreak of the COVID-19, the Directors intend to implement the business expansion plan of the Group in a more prudent manner and have decided to put on hold the Group's plan to set up the new production plant in Dongguan, the PRC for the sake of risk management. Instead, the Group will seek to bolster its production capacity at its existing production plants in Shenzhen, the PRC and will renovate the existing production plants for installation of the new machinery recently purchased or to be purchased for the business expansion.

Having considered the above, we are of the view that the abovementioned relatively prudent business expansion plan is reasonable and appropriate under the economic uncertainty arising from the outbreak of the COVID-19.

As at the Latest Practicable Date, the Company had two factories located in Shenzhen, the PRC, namely, SZ Factory A and SZ Factory B, for the operation of the Group's printing business.

SZ Factory A is a self-owned factory and commenced its operations in 1991, which is currently with a size of approximately 82,570 square meters, equipped with approximately 370 machineries and 1,100 staffs. SZ Factory A is principally focusing on producing printing products of five major categories including packaging, label, paper products, paper bag and IMD products. For the year ended 31 December 2019, SZ Factory A achieved an annual production volume of approximately 910 million units. The average monthly expenses incurred by SZ Factory A during the year ended 31 December 2019 (including, but not limited to, all fixed cost, wages and overhead) was approximately RMB8.60 million.

SZ Factory B is a leased factory and commenced its operations in 2011, which is currently with a size of approximately 5,912 square meters, equipped with approximately 130 machineries and 270 staffs. SZ Factory B is principally focusing on printing of label products. For the year ended 31 December 2019, SZ Factory B achieved an annual production volume of approximately 325 million units. The average monthly expenses incurred by SZ Factory B during the year ended 31 December 2019 (including, but not limited to, all fixed cost, wages and overhead) was approximately RMB3.0 million.

As disclosed in the Letter from the Board, the Group now intends to apply approximately HK$39.27 million from the UOP for the development of its SZ Factories, of which (i) approximately HK$32.73 million will be used for the acquisition of new printing machines and relevant facilities/equipment (which was originally planned to be deployed in the new factory of the Group in Dongguan, the PRC) in SZ Factory A for (a) the further expansion of the existing production line of the new IMD products for electronic devices in order to catch up the potential business growth in the IMD products market; (b) facilitating the new orders from existing and potential customers as all the existing production lines have been already fully utilised and reached full capacity with sales orders from existing customers; (c) replacing the existing machineries which are deteriorated and no longer be able to meet the increasing quality requirement of existing and potential clients; and (d) satisfying the short turnaround time of customer's orders (i.e. within 30 days) which require more new and advanced machineries; (ii) approximately HK$5.00 million will be used for the replacement or upgrade of printing and auxiliary machines to improve the production capacity of existing production lines in the SZ Factories; and (iii) approximately HK$1.54 million will be used for the final instalment fee of the ERP System and the upgrading of the existing computer and relevant equipment for SZ Factory A. The ERP System has been installed in SZ Factory A since 1 January 2020 which has improved the operation and management efficiency of SZ Factory A.

Upon the utilisation of the Existing Cash and the implementation of the UOP in respect of the SZ Factories, the annual production volume shall be increased by approximately 100 million units and the product defect rate will be significantly reduced, which enable the Group to catch up the potential business growth in the market of the IMD products and meet customers' demand.

We noted that the manufacturing and sales business is the largest source of revenue of the Group. As disclosed in the 2018 Annual Report and 2019 Results Announcement, the Group's manufacturing and sales business accounted for approximately 89.22%, 88.77% and 87.41% of the Group's total revenue for the years ended 31 December 2017, 2018 and 2019, respectively.

In respect of the Group's plan to acquire new printing machines and relevant facilities/equipment (which was originally planned to be deployed in the new factory of the Group in Dongguan, the PRC) in SZ Factory A for (i) the further expansion of the existing production line of the new IMD products for electronic devices in order to catch up the potential business growth in the IMD products market; (ii) facilitating the new orders from existing and potential customers as all the existing production lines have been already fully utilised and reached full capacity with sales orders from existing customers; (iii) replacing the existing machineries which are deteriorated and no longer be able to meet the increasing quality requirement of the upcoming new orders of new products from the existing and potential clients; and (iv) meeting the short turnaround time of customer's orders (i.e. within 30 days) which require more new and advanced machineries, we understand from the Management that, to combine the original development plan in Dongguan, the PRC with the expansion plan in Shenzhen, modifications of the SZ Factories will be required. Such modifications include (i) reallocation of certain printing machines as well as the production for the respective sales orders from SZ Factory A to SZ Factory B in order to release more space in SZ Factory A; and (ii) renovation of SZ Factory A which involves the demolition and construction of the interior and exterior walls of SZ Factory A to enable (a) the re-positioning of the printing machines in order to improve its production flow as well as to increase its productivity and efficiency; and (b) the installation of the machineries which were originally included in the production lines in Dongguan, the PRC.

In respect of the Group's plan to replace and upgrade its existing printing and auxiliary machines, we understand from the Management that the Group has been investing more resources in the SZ Factories, such as the replacement of the aged printing and printing auxiliary machines, in order to meet the increasing quality demand from the customers of the Group since the year ended 31 December 2018. We also noted from the announcement of the Company dated 5 November 2019 that the Group entered into a purchase contract with a vendor for the acquisition of a new printing machine.

In respect of the Group's plan to upgrade its information technology system, we understand from the Management and obtained documents setting out the Group's investments made for upgrading the information system of SZ Factory A since the year ended 31 December 2019. Subsequently, a new ERP System has been acquired and put into implementation in SZ Factory A in January 2020. The Group plans to continue the development and the upgrade of the ERP System and apply the ERP System to SZ Factory B, which ultimately could provide an online platform to its customers and suppliers and an integrated back-end system that connects to all of the Group's factories in the PRC.

Having considered that (i) the Group's manufacturing and sales business as its major source of revenue; (ii) the necessity of the modifications of the SZ Factories under the newly adopted business plan to combine its original development plan in Dongguan, the PRC and the expansion plan in Shenzhen, the PRC; (iii) all the existing production lines have been already fully utilised and reached full capacity with orders from existing customers; (iv) the development of the SZ Factories is in line with the Group's business plan since the year ended 31 December 2018; (v) the Group's investment and upgrade plans for its SZ Factories would allow it to improve printing quality and capacity in order to meet its customers' demands; and (vi) the ERP System enables the Group to centralise its information as well as to improve the operation flow of the Group's manufacturing and sales business, we are of the view that the development of the Group's SZ Factories is in the interest of the Group and the Shareholders as a whole.

(c) Other fund raising alternatives considered by the Group

As stated in the Letter from the Board, the Board has considered other alternative means of fund raising, such as debt financing, bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company as, save for the collaterals for the existing banking facilities, the Group does not have any other significant assets which can serve as collaterals for further bank loans. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs are high and additional borrowings will deteriorate the financial position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements in the open market. Open offer is considered to be less favourable to the Shareholders.

As at 31 December 2019, the Financial Assets of the Group at fair value through profit or loss amounted to approximately HK$64.8 million. All Financial Assets are equity securities listed in Hong Kong. Given that the average trading volume of the Gain Listed Financial Asset, which was the only asset among the Listed Financial Assets that recorded gain as at 31 December 2019, for the one-year period prior to and including the Last Trading Day was relatively low, disposal of the Gain Listed Financial Asset by the Group on the market would cause a significant pressure on the stock price of the Gain Listed Financial Asset which would directly affect the underlying gain. In addition, the Group received dividend income of approximately HK$1,088,000 from the Listed Financial Assets during the year ended 31 December 2019. Having considered the above, the Board considers that it is not an appropriate time to opt for asset monetisation and such asset monetisation is not in line with the Group's investment strategy.

Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As disclosed in the 2019 Results Announcement, as at 31 December 2019, investment properties with aggregate carrying value of approximately HK$217.0 million have been pledged to banks to secure mortgage loan of certain bank borrowings and general banking facilities granted to the Group. We have discussed with the Management and understand that to obtain new bank borrowings that are sufficient to fulfil the above business plan of the Group, collaterals of approximately HK$50.00 million will be required. Having considered (i) the financial position of the Group; (ii) the current level of pledged assets to banks for securing bank borrowings and bank facilities; (iii) the additional amount of assets to be served as collaterals for obtaining new bank loans; and (iv) the fluctuation in interest rates causing uncertainty to the Group's finance costs of bank borrowings as detailed in earlier section of this letter, we concur with the view of the Board that debt financing would be less appropriate.

Taking into account that (i) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid rights in the market for economic benefits; (ii) as compared to placing or subscription of new Shares which leads to an inevitable dilution of shareholding of the Qualifying Shareholders, the Rights Issue allows the Qualifying Shareholders to maintain their respective shareholding interests in the Company upon completion of the Rights Issue should they so wish; and (iii) debt financing and asset monetisation are considered less appropriate as explained in the above paragraphs, we concur with the Directors who consider that the Rights Issue is a better financing alternative over other means of financing as discussed above.

4. Principal terms of the Rights Issue and the Underwriting Agreement

(a) Issue statistics

The following sets forth the details of the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK$0.20 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	253,639,456 Shares
Number of Rights Shares	:	507,278,912 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued Shares upon completion of the Rights Issue	:	760,918,368 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue
Amount to be raised	:	Approximately HK$101.46 million before expenses

As stated in the Letter from the Board, as at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

The 507,278,912 Rights Shares represent 200.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the Rights Issue immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

(i) The Subscription Price

The Subscription Price of HK$0.20 per Rights Share is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a premium of approximately 8.11% over the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of 20.00% to the closing price of HK$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 8.68% to the theoretical ex-rights price of approximately HK$0.219 per Share based on the closing price of HK$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 21.57% to the average closing price of HK$0.255 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 21.57% to the average closing price of HK$0.255 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(vi) a discount of approximately 94.49% to the unaudited consolidated net asset value per Share of approximately HK$3.63 based on the published unaudited consolidated net asset value of the Company of approximately HK$920.09 million as at 30 June 2019 as extracted from the interim report of the Company for the six months ended 30 June 2019 and the issued share capital of the Company of 253,639,456 Shares;

(vii) a discount of approximately 94.27% to the audited consolidated net asset value per Share of approximately HK$3.49 based on the published audited consolidated net asset value of the Company of approximately HK$886.22 million as at 31 December 2019 as extracted from the 2019 Results Announcement and the issued share capital of the Company of 253,639,456 Shares (after taking into account the valuation of the properties held by the Group as set out in the valuation reports in Appendix III and IV to the Circular, we concur with the Board that no adjustment is required for the net asset value of the Company as at 31 December 2019); and

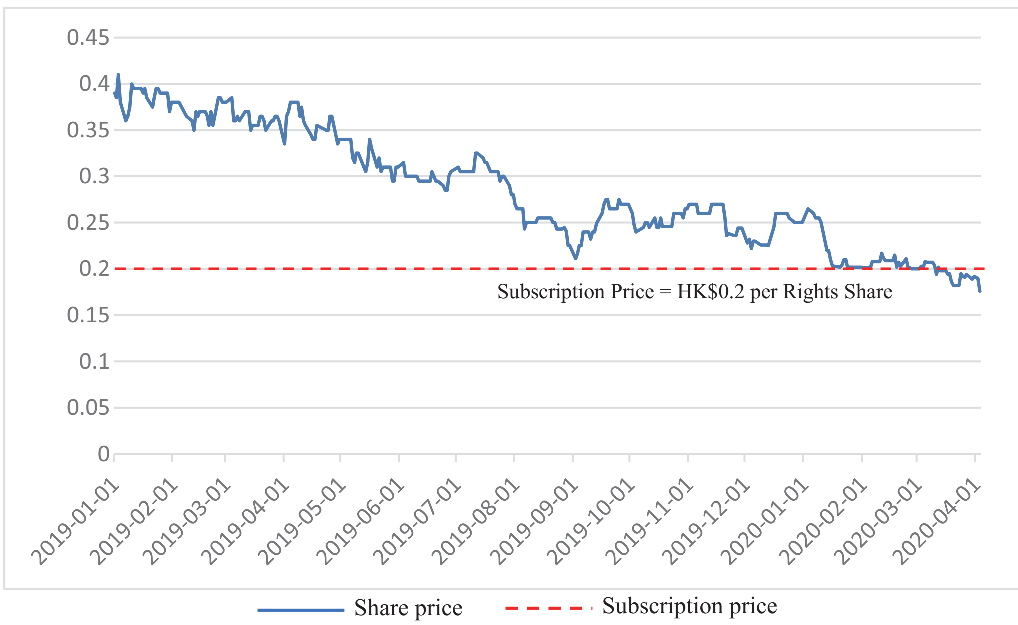
(viii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 15.12% of the theoretical diluted price of HK$0.219 per Share to the benchmarked price of HK$0.258 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.250 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.258 per Share).

As set out in the Letter from the Board, at the time of signing the Underwriting Agreement, the Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares prior to the date of the Underwriting Agreement; (ii) the prevailing market conditions; (iii) a loss attributable to owners of the Company of approximately HK$37.9 million for the financial year ended 31 December 2018 recorded by the Company; and (iv) the funding and capital needs of the Company for its business plans and prospect.

(ii) Historical share price performance

We have reviewed the daily closing prices of the Shares for the period from 1 January 2019 to 7 April 2020, being approximately the twelve-month period prior to the Last Trading Day and further up to and including the Latest Practicable Date (the "**Review Period**"). Set out below are the closing prices per Share as quoted from the website of the Stock Exchange:

Graph A: Daily closing price of the Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

As shown in Graph A above, the closing price of the Shares showed a general decreasing trend from January 2019 to the lowest of HK$0.176 per Share on 3 April 2020. During the Review Period, the closing price of the Shares ranged from a minimum of HK$0.176 per Share on 3 April 2020 to a maximum of HK$0.41 per Share on 3 January 2019, with an average of HK$0.28 per Share. Accordingly, the Subscription Price represents (i) a premium of approximately 13.64% over the lowest closing price of the Shares; (ii) a discount of approximately 51.22% to the highest closing price of the Shares; and (iii) a discount of 28.57% to the average closing price of the Shares during the Review Period. In addition, the Subscription Price also represented a discount of approximately 94.27% to net asset value per Share of the Company as at 31 December 2019.

(iii) Comparison with recent rights issue transactions

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have identified an exhaustive list of 12 rights issue transactions, in which underwriting agreements were in place such that all the rights shares were underwritten by the underwriters (excluding the rights shares that were irrevocably agreed to be taken up) (the "**Comparables**") announced by other companies (the "**Comparable Companies**") listed on the Stock Exchange during the period of six months immediately prior to the Last Trading Day (the "**Comparable Review Period**"). Whether or not the rights issues involved a change in control was not a criteria in selecting the Comparables as we consider that it is not a material factor in assessing the fairness and reasonableness of the terms of a rights issue, because at the time the terms of the rights issues were being determined and announced, the subscription level of the rights issue and thus the outcome of whether there would be a change in control were unknown to the issuers.

For illustrative purposes only, during the Comparable Review Period, we noted that none of the rights issues announced were conducted by companies engaging in similar businesses as the Company. In addition, the review period covers more than six months before the date of the Announcement, in which very different market sentiments and conditions were involved as a result of the uncertainties arising from the global economic uncertainty due to the impact of trade war between the U.S. and the PRC, coupled with the recent social unrest in Hong Kong which began around mid-2019, that would materially affect market conditions and the the terms of rights issues, rendering the samples in such review period unrepresentative to reflect recent market conditions under which the terms of the Rights Issues were determined. Since the terms of rights issues depend on a vast number of factors (including but not limited to the prevailing market sentiments and conditions, respective financial performance and funding needs of each individual issuer, basis of entitlement etc.), we consider that a six-month period can reflect the market practice regarding rights issue in the most recent period.

Furthermore, although the Comparables included rights issues on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the terms of the Rights Issue (including the subscription price), as (i) all of the Comparable Companies and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issue and we are not aware of any established evidence showing any correlation between the entitlement basis of the rights issue and its underlying principal terms; (iii) by including Comparables Companies with different funding needs and business, a more comprehensive overall market sentiment in our comparable analysis can be represented; (iv) a six months' period for the selection of the Comparables has resulted in the generation of a reasonable sample size to reflect the market practice regarding rights issues in the recent period; (v) given that the terms of rights issues depend on a vast number of factors, difference in any one of basis of entitlement, principal businesses, financial performance or funding needs does not have a material effect on the overall terms of a rights issue; and (vi) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue transactions in which underwriting agreements were in place such that all the rights shares were underwritten by the underwriters (excluding the rights shares that were irrevocably agreed to be taken up).

Table B: Comparison of issue statistics

Date of announcement	Company name (stock code)	Principal activities	Basis of entitlement	Discount of the subscription price to the closing price on the last trading date prior to/ on the date of the relevant announcements (Approximate)	Discount of the subscription price to the theoretical ex-right price based on the last trading day prior to/ on the date of the relevant announcements (Approximate) *(Note 1)*	Premium/discount of the subscription price over/to the consolidated net asset value per share (Approximate) *(Note 2)*	Maximum dilution on shareholding (Approximate)	Underwriting commission	Excess application Yes/No
3-Jan-20	Purapharm Corporation Limited (1498)	Concentrated Chinese medicine granule	1 for 2	-37.50%	-28.60%	-61.60%	33.33%	5.50%	Yes
2-Jan-20	Wuling Motors Holdings Limited (305)	Automotive	1 for 2	-32.20%	-23.95%	-74.62%	33.33%	3.00%	Yes
24-Dec-19	On Real International Holdings Limited (8245)	Manufacturing and trading of communication devices	1 for 2	-61.54%	-51.61%	-30.26%	33.33%	4.00%	Yes
23-Dec-19	Elegance Optical International Holdings Limited (907)	Manufacturing and trading of optical products	1 for 2	-21.79%	-15.66%	-79.90%	33.33%	4.00%	Yes
18-Dec-19	Victory City International Holdings Limited (539)	Garment	2 for 1	-22.86%	-9.09%	-96.91%	66.67%	1.50%	Yes
13-Dec-19	Greenway Mining Group Limited (2133)	Mining, processing and sales of nonferrous metals	1 for 4	0.00%	0.00%	-90.96%	20.00%	1.50%	Yes
6-Dec-19	Wanjia Group Holdings Limited (401)	Pharmaceutical	2 for 1	-31.43%	-13.12%	-62.72%	66.67%	2.50%	Yes
6-Nov-19	Eminence Enterprise Limited (616)	Sourcing and exporting of garments, property businesses, securities investment and loan financing	4 for 1	-24.53%	-6.10%	-96.77%	80.00%	1.50%	Yes
29-Oct-19	Li Bao Ge Group Limited (1869)	Operation of a chain of Chinese restaurants	1 for 4	-10.19%	-8.32%	96.00%	20.00%	3.00%	Yes
11-Oct-19	Ping An Securities Group (Holdings) Limited (231)	Provision of securities dealing and financial services	1 for 2	-27.54%	-20.63%	194.12%	33.33%	1.20%	Yes
26-Aug-19	Jiangnan Group Limited (1366)	Manufacturing and trading of wires and cables for power transmission, distribution systems and electrical equipment	1 for 2	-13.85%	-9.68%	-77.08%	33.33%	3.50%	Yes
18-Jul-19	Cocoon Holdings Limited (428)	Investment	2 for 1	-13.85%	-5.08%	-75.20%	66.67%	1.00%	Yes
		Maximum	0.00%	0.00%	194.12%	80.00%	5.50%		
		Minimum	-61.54%	-51.61%	-96.91%	20.00%	1.00%		
		Median	-23.70%	-11.40%	-74.91%	33.33%	2.75%		
		Average	-24.77%	-15.99%	-37.99%	43.33%	2.68%		
	The Company		2 for 1	20.00%	-8.68%	-94.27%	66.67%	–	No

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The net asset value per share was extracted from the relevant announcement or circular of the Comparables. Where such information is not available from the above published sources, the net asset value per share was computed based on the reported net asset value as shown in the relevant interim results or annual results of the Comparable Companies and the number of issued shares as at the date of the relevant announcement of the Comparables.

2. Maximum dilution effect of each of the Comparables is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

Based on the above table, we noted that:

(i) the subscription prices to the closing prices on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a discount of 0% to a discount of approximately 61.54% (the "**Comparable LTD Range**"), with an average discount of approximately 24.77% (the "**Comparable LTD Average**") and a median of discount of approximately 23.7% (the "**Comparable LTD Median**"). The discount of approximately 20.00% to the closing price per Share on the Last Trading Day as represented by the Subscription Price (the "**LTD Discount**") is within the Comparable LTD Range and is slightly lower than the Comparable LTD Average and the Comparable LTD Median;

(ii) the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the rights issue announcements of the Comparables ranged from a discount of 0% to a discount of approximately 51.61% (the "**Comparable TERP Range**"), with an average discount of approximately 15.99% (the "**Comparable TERP Average**") and a median of discount of approximately 11.4% (the "**Comparable TERP Median**"). The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share (the "**TERP Discount**") is approximately 8.68%, which is within the TERP Range and lower than the Comparable TERP Average and slightly lower than the Comparable TERP Median; and

(iii) the subscription prices to the consolidated net asset value (the "**NAV**") per share ranged from a discount of approximately 96.91% to a premium of approximately 194.12% (the "**Comparable Price-to-NAV Range**"). However, if Ping An Securities Group (Holdings) Limited, being an outlier due to the exceptionally high premium of subscription price to the NAV per share, is excluded to allow a more meaningful comparison, the subscription prices to the NAV per share ranged from a discount of approximately 96.91% to a premium of approximately 96.00% (the "**Adjusted Comparable Price-to-NAV Range**") with an average discount of approximately 59.09% (the "**Adjusted Comparable Price-to-NAV Average**") and a median of discount of approximately 75.20% (the "**Adjusted Comparable Price-to-NAV Median**"). The Subscription Price as compared to the NAV per Share (the "**Price-to-NAV Discoun**t") as at 31 December 2019 represented a discount of approximately 94.27%, which is within the Adjusted Comparable Price-to-NAV Range and the Adjusted Comparable Price-to-NAV Range but is lower than the Adjusted Comparable Price-to-NAV Average and the Adjusted Comparable Price-to-NAV Median.

Furthermore, and as shown in the Table B above, the subscription prices of all Comparables were priced at a discount to the respective closing prices of their shares on the last trading day prior to the release of their respective rights issue announcements. Thus, it is a common market practice that the subscription price of a rights issue normally represents a discount to the prevailing historical market prices of the relevant shares with a view to enhancing the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue.

We note that, each of the LTD Discount, the TERP Discount and Price-to-NAV Discount under the Rights Issue is (i) within the Comparable LTD Range, the Comparable TERP Range, the Comparable Price-to-NAV Range and the Adjusted Comparable Price-to-NAV Range, respectively; (ii) slightly lower than the Comparable LTD Average, lower than the Comparable TERP Average and the Comparable Price-to-NAV Average, respectively; and (iii) slightly lower than the Comparable LTD Median, slightly lower than the Comparable TERP Median and lower than the Comparable Price-to-NAV Median, respectively.

Since the Comparable TERP Range, the Comparable Price-to-NAV Range and the Adjusted Comparable Price-to-NAV Range exhibit wide ranges, the above comparable analysis may be regarded as a general reference in relation to the terms of rights issues under recent market conditions. In this regard, we have taken into account the following factors to draw our conclusion as to whether the Subscription Price is fair and reasonable.

(iv) Our view on the Subscription Price

Having considered:

(a) the need for the Group to raise new long-term financing and retain sufficient financial resources and strengthen its capital base amid global economic uncertainties as well as the outbreak of the COVID-19 as detailed in earlier sections of this letter;

(b) the reasons for and benefits of the Rights Issue, in particular that the UOP is fair and reasonable and in the interests of the Company and the Shareholders as a whole;

(c) the Rights Issue is considered to be a better financing alternative over debt financing due to increasing uncertainties in securing debt and in the associated costs, and also over other means of financing as detailed in earlier sections of this letter;

(d) the difficulties faced by the Company to identify independent securities brokers to act as the underwriter given the prevailing market condition, as detailed in later section of this letter;

(e) the Underwriter has shown support and confidence in the long term prospects and development of the Group by acting as the underwriter of the Rights Issue at the Subscription Price, which enables the Group to proceed with the Rights Issue which (i) is in the interests of the Company and the Shareholders as a whole; and (ii) allows Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue if they so wish;

(f) the Group, having imminent financing need as explained above, had not been able to conclude alternative terms or subscription price with any other underwriters to proceed with the Rights Issue under the prevailing market conditions;

(g) given that the Shares have been traded around or below the Subscription Price since late January 2020 and that the Subscription Price represented a premium of approximately 8.11% over the closing price of the Shares as at the Latest Practicable Date, the willingness of the Qualifying Shareholders to subscribe for the Rights Shares at the Subscription Price may be reduced, and the Group may not be able to raise the gross proceeds from the Rights Issue in full unless the Rights Issue had been underwritten by the Underwriter. Having noted from Table B that the relevant subscription prices of most of the Comparables represented discounts to historical closing prices of the shares, the terms of the Rights Issue together with the Underwriting Agreement at the Subscription Price are more favourable to the Group as the Rights Issue, if proceeded, especially under current market conditions arising from global economic uncertainties as well as the outbreak of the COVID-19, will enable the Group to raise funds at a premium over the recent market closing prices of the Shares for its current financing need and the long term development of the Group, which is in turn in the interest of the Company and the Shareholders as a whole,

we are of the view that the Subscription Price is fair and reasonable.

(b) The Irrevocable Undertakings

As stated in the Letter from the Board, as at the Latest Practicable Date, CNA is beneficially interested in an aggregate of 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares. CNA is beneficially owned by Preserve Capital Trust. Mr. Suek is personally beneficially interested in an aggregate of 1,210,000 Shares, representing approximately 0.48% of the existing issued Shares. Mr. Suek Chai Hong, an executive Director and the chief executive officer of the Company, is beneficially interested in an aggregate of 700,000 Shares, representing approximately 0.28% of the existing issued Shares. Dr. Ng Wai Kwan, a non-executive Director, is beneficially interested in an aggregate of 8,000 Shares, representing approximately 0.01% of the existing issued Shares.

Pursuant to the Irrevocable Undertakings, each of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan has provided irrevocable and unconditional undertakings to the Company that (i) all the above Shares will continue to be beneficially owned by each of them on the Record Date; and (ii) each of them will accept and pay for 79,744,000 Rights Shares, 2,420,000 Rights Shares, 1,400,000 Rights Shares and 16,000 Rights Shares respectively to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

(c) The Underwriting Agreement

As stated in the Letter from the Board, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings. Material terms of the Underwriting Agreement are set out below:

Date of Underwriting Agreement	:	The original underwriting agreement was signed on 10 January 2020 and the two Supplemental Underwriting Agreements were signed on 31 January 2020 and 7 April 2020 respectively.
Underwriter	:	Smithfield Ventures Limited The Underwriter is wholly-owned by CNA, which is in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek and the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong.

Total number of Rights Shares underwritten by the Underwriter	:	423,698,912 Rights Shares (which do not include 83,580,000 Rights Shares that CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan have undertaken to subscribe pursuant to the Irrevocable Undertakings and assuming no new Share will be issued and no Share will be repurchased on or before the Record Date).
Commission	:	The Underwriter will not receive any underwriting commission.

As stated in the Letter from the Board, the terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter after having considered (i) the financial position of the Group where the Group recorded a loss of approximately HK$38.22 million for the year ended 31 December 2018; (ii) the size of the Rights Issue with 423,698,912 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement and the gross proceeds of approximately HK$101.46 million from the Rights Issue; and (iii) the current and expected market conditions in view of the recent social unrest in Hong Kong and global economic uncertainty arising from the impact of trade war between the U.S. and the PRC.

Prior to approaching the Underwriter, the Company approached two independent securities brokers which are market participants involving in underwriting of securities for Hong Kong listed companies with small to medium size of market capitalisation that were referred to the Company by the financial adviser of the Company to act as the underwriter to the Rights Issue, but they were not willing to act as the underwriter to the Rights Issue given the prevailing market conditions in view of the recent social unrest in Hong Kong and global economic uncertainty arising from the impact of trade war between the U.S. and the PRC. In view of (i) the recent closing prices of the Shares; (ii) the prevailing market conditions (iii) the fact that the Company recorded a loss attributable to owners of the Company of approximately HK$37.92 million for the financial year ended 31 December 2018 (being the latest published full year results at the time of approaching the Underwriter); and (iv) difficulties in identifying a willing independent underwriter, the Management believed that even if the Company continued to approach more independent securities brokers and if an independent underwriter can be identified, a relatively high underwriting commission may potentially be incurred. Subsequently, the Company approached the Underwriter which is wholly-owned by CNA and is in turn beneficially owned by Preserve Capital Trust.

In assessing the underwriting commissions, we noted from the Comparables that the underwriting commissions were relatively higher for the rights issues that were announced in or after late December 2019 (in the range of 3.00% to 5.50%), as compared to the underwriting commissions of the Comparables that were announced earlier (in the range of 1.00% to 3.00%). In addition, all the Comparables involved non-zero underwriting commission rates. In contrast, the Underwriter did not charge any underwriting commission for the Rights Issue, which is more favourable to the Group as compared to the Comparables.

Having considered that (i) the two independent securities brokers approached by the Company were not willing to act as the underwriter given the prevailing market conditions; (ii) the difficulties faced by the Company to identify other underwriters at an attractive underwriting commission rate; (iii) in the event that the Underwriter becomes the controlling shareholder of the Company (subject to the subscription level of the Rights Issue), the Underwriter intends to continue to carry on the business of the Group and has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group; (iv) the Underwriter will not receive any underwriting commission, which is more favourable to the Group as compared to the Comparables; and (v) Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have undertaken to subscribe the Rights Shares pursuant to the Irrevocable Undertakings, have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting and the transactions contemplated thereunder and the Whitewash Waiver, we concur with the view of the Board that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Despite the favourable terms of the Underwriting Agreement including zero underwriting commission, attention should be drawn to the possible scenario that if the Underwriter takes up the Underwritten Shares in full, it will result in a majority control of the Company by the Underwriter and parties acting or presumed to be acting in concert with it (including but not limited to CNA, Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sum Fat), as their aggregate shareholding in the Company would increase from approximately 16.52% of the existing issued share capital of the Company to approximately 72.18% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue.

5. Potential dilution to the shareholding of the Shareholders

For illustrative purpose, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have provided the Irrevocable Undertakings, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and (iv) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have provided the Irrevocable Undertakings, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
CNA *(Note 1)*	39,872,000	15.72	119,616,000	15.72	119,616,000	15.72	119,616,000	15.72
Mr. Suek *(Note 1)*	1,210,000	0.48	3,630,000	0.48	3,630,000	0.48	3,630,000	0.48
The Underwriter *(Note 2)*	–	–	–	–	–	–	423,698,912	55.68
Mr. Suek Chai Hong *(Notes 3 and 6)*	700,000	0.28	2,100,000	0.28	2,100,000	0.28	2,100,000	0.28
Dr. Ng Wai Kwan *(Notes 4 and 6)*	8,000	0.01	24,000	0.01	24,000	0.01	24,000	0.01
Mr. Wong Sun Fat *(Notes 5 and 6)*	100,000	0.03	300,000	0.03	100,000	0.01	100,000	0.01
Sub-total of the Underwriter and parties acting or presumed to be acting in concert with it	41,890,000	16.52	125,670,000	16.52	125,470,000	16.50	549,168,912	72.18
Other public Shareholders	211,749,456	83.48	635,248,368	83.48	635,448,368	83.50	211,749,456	27.82
Total	253,639,456	100.00	760,918,368	100.00	760,918,368	100.00	760,918,368	100.00

Notes:

1. Mr. Suek is the chairman of the Board and an executive Director. Mr. Suek is deemed to be interested in 41,082,000 Shares under the SFO, of which (i) 39,872,000 Shares are held by CNA which in turn is beneficially owned by Preserve Capital Trust; and (ii) 1,210,000 Shares are held by Mr. Suek personally.

2. The Underwriter is wholly-owned by CNA which in turn is beneficially owned by Preserve Capital Trust.

3. Mr. Suek Chai Hong is the uncle of Mr. Suek and an executive Director.

4. Dr. Ng Wai Kwan is the uncle of Mr. Suek and a non-executive Director.

5. Mr. Wong Sun Fat is a non-executive Director.

6. Each of Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat is a Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue. None of Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat is a party acting in concert with the Underwriter or Mr. Suek under the definition of "acting in concert" under the Takeovers Code.

7. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares on the same basis. The shareholding interests of the Qualifying Shareholders who elect to take up their respective entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. However, as illustrated in the table above, assuming (i) only CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, who have provided Irrevocable Undertakings, have taken up the Rights Shares; and (ii) 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter, the shareholding interests of the other public Shareholders will be diluted upon completion of the Rights Issue by 55.66%, from 83.48% as at the Latest Practicable Date to 27.82% immediately upon completion of the Rights Issue.

As stated in the Letter from the Board, the Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Notwithstanding the aforesaid potential dilution effect on the shareholding of the Company, having balanced against the following factors:

(i) the Rights Issue is on the basis that all Qualifying Shareholders are offered with equal opportunity to maintain their respective shareholding in the Company;

(ii) the Independent Shareholders are offered with an opportunity to attend and vote for or against the relevant resolutions in relation to the Rights Issue and the Underwriting Agreement at the SGM;

(iii) the Qualifying Shareholders are given an opportunity to elect whether to subscribe for the Rights Shares or not;

(iv) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market, subject to the then prevailing market conditions, should they so wish;

(v) the dilutive nature in shareholdings is inherent for all cases of rights issues;

(vi) the maximum dilution effect on the shareholding will only occur when there is no acceptance of the Rights Shares by the Qualifying Shareholders at all; and

(vii) the net proceeds from the Rights Issue will be used for the Group's future business development as discussed in the section headed "3. Reasons for and benefits of the Rights Issue and the use of proceeds – (b) The business plans of the Group" and is in the interest of the Company and the Shareholders as a whole,

we are of the opinion that the potential dilution effect on the shareholding for the Qualifying Shareholders who decide not to subscribe for their proportionate Rights Shares is justifiable.

Nonetheless, Qualifying Shareholders who do not accept the Rights Issue may consider selling their nil-paid rights to subscribe for the Rights Shares in the market, subject to the then prevailing market conditions.

6. Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

As stated in the Letter from the Board, pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is wholly-owned by CNA, a Substantial Shareholder of the Company, which is beneficially interested in an aggregate of 39,872,000 Shares, representing approximately 15.72% of the existing issued Shares, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any Net Gain that is realised from the Compensatory Arrangements will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on Thursday, 4 June 2020, Placees for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(a) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (c) below);

(b) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (c) below);

(c) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (a) to (c) above which is in an amount of HK$100 or more will be paid to them in HK Dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

The Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date of Placing Agreement	:	The original placing agreement was signed on 10 January 2020 and the two Supplemental Placing Agreements were signed on 31 January 2020 and 7 April 2020 respectively.
Placing Agent	:	Merdeka Securities Limited has been appointed as the Placing Agent to procure, on a best effort basis, the Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates. As at the Latest Practicable Date, the Placing Agent does not hold any Shares.
Placing fee	:	A fixed fee of HK$100,000.
Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe)	:	The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price. The final price determination is depended on the demand and market condition of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies). For the avoidance of doubt, no Placee shall become a Substantial Shareholder of the Company.

Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
Condition Precedent	:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional.
Placing Completion Date	:	Tuesday, 9 June 2020 or such other date as the Company and the Placing Agent may agree in writing.
Termination	:	If, prior to the Latest Placing Time:

(1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Placing Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the U.S.) occurs in Hong Kong, the U.S. or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing,

the Placing Agent shall be entitled, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

As stated in the Letter from the Board, the terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms with reference to the rights issue/ open offer transactions with compensatory arrangements of the issuers listing on the Stock Exchange in the one-year period prior to the date of the Placing Agreement. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent rights issue/open offer transactions with compensatory arrangements and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms. The Directors believe that the placing fee is an expense which is typical and ordinary in the marketing of securities.

We have performed a research on share placing exercise in connection with (i) rights issues with compensatory arrangements, which are similar to the Rights Issue; or (ii) placing of shares under general or specific mandate with a fixed placing fee or a minimum fixed placing fee conducted by other companies listed on the Stock Exchange as published on the Stock Exchange's website since 10 July 2019 up to the date of the Announcement and we identified a total of three precedents (the "**Placing Comparables**") during this period, with fixed placing fees or a minimum fixed placing fee of HK$0.10 million and HK$3.0 million, respectively. As a result of the uncertainties arising from the recent social unrest in Hong Kong which began in around mid-2019 and the global economic uncertainties arising from the impact of trade war between the U.S. and the PRC, there had been material difference in market conditions in the period before and after mid-2019. Accordingly, we consider that a period of six months is reasonable because it reflects the latest market environment and that a period of more than six months would be unsuitable given the material changes in market conditions. We note that the fixed placing fee of the Placing Agreement of HK$0.1 million is at the same level as the lowest of the three Placing Comparables. We concur with the view of the Directors that the placing fee charged by the Placing Agent is no less favourable than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms. Details of the exhaustive list of the three Placing Comparables are set out below:

Company (Stock code)	Principal nature of transaction	Date of announcement	Commission fee/ rate payable to the placing agent
Mansion International Holdings Limited (8456)	Share placement	8 January 2020	Fixed fee of HK$100,000
Newtree Group Holdings Limited (1323)	Share placement	7 January 2020	A fixed sum of HK$3,000,000 plus any other out-of-pocket expenses
Magnus Concordia Group Ltd (1172)	Rights issue with compensatory arrangement	28 October 2019	The higher of HK$300,000 or 1.50% of the gross proceeds from the subscription of the unsubscribed rights shares

We consider the above Placing Comparables to be suitable and comparable for assessing the fairness and reasonableness of the placing fee associated with the Rights Issue because (i) the Placing Comparables involved the placing of shares of listed companies in Hong Kong; (ii) the Placing Comparables involved a fixed placing fee or a minimum fixed placing fee, which is of similar nature to the fixed placing fee under the Placing Agreement; and (iii) the Placing Comparables were conducted within six months before the date of the Announcement, a period which we consider is reasonable and which reflects the latest market conditions of the Rights Issue and the Placing Agreement.

We consider the terms of the Placing Agreement are consistent with market practice, and in particular, the fees and expenses payable to the Placing Agent are comparable to those under an underwritten placing for publicly listed securities in Hong Kong. We also consider that the Compensatory Arrangements comply with the spirit of Rule 7.21(1) of the Listing Rules. Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders, we concur with the view of the Directors (excluding the members of Listing Rules IBC and the Takeovers Code IBC whose opinion is set forth in the "Letter from the Listing Rules IBC" and the "Letter from the Takeovers Code IBC" in the Circular) that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

7. Potential financial effects of the Rights Issue

It should be noted that the following analysis of financial effects of the Rights Issue is for illustrative purposes only, and does not purport to represent the financial position of the Group upon completion of the Rights Issue.

(a) Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK$889.44 million or approximately HK$3.51 per Share (based on a total number of 253,639,456 Shares then in issue) as at 31 December 2019.

Immediately upon the completion of the Rights issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would be approximately HK$987.40 million or HK$1.30 per Share (based on a total number of 760,918,368 Shares then in issue) as at 31 December 2019.

Having considered the reasons and benefits of the Rights Issue, which are detailed in earlier section of this letter, we are of the view that the dilution in net tangible assets would be acceptable.

(b) Gearing ratio

The gearing ratio of the Group as at 31 December 2019 (being the total borrowings of the Group of approximately HK$163.95 million divided by total equity attributable to the owners of the Company of approximately HK$886.22 million) was approximately 18.50%. As the total borrowings of the Group would be reduced through the utilisation of the net proceeds from the Rights Issue, it is expected that the gearing ratio of the Group would decrease accordingly.

(c) Working capital

As set out in the Letter from the Board, approximately HK$5.21 million of the UOP will be utilized for use as the Group's general working capital. As such, the working capital position of the Group would be improved upon completion of the Rights Issue.

8. The Whitewash Waiver

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 41,890,000 Shares, representing approximately 16.52% of the issued share capital of the Company (16.20% if class (6) presumption under the definition of "acting in concert" under the Takeovers Code are excluded). Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of CNA, Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan pursuant to the Irrevocable Undertakings) and no placement is made under the Compensatory Arrangements, the Underwriter will be required to take up 423,698,912 Rights Shares. In such circumstance and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" in the Takeovers Code only (i.e. Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat)) will, in aggregate, be interested in 546,944,912 Shares, representing approximately 71.88% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder. If the Whitewash Waiver is not granted by the Executive, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

Upon completion of the Rights Issue, the maximum potential holding of the Underwriter may exceed 50% of the then total number of issued Shares in which case, the Underwriter may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; the Underwriters, its associates and parties acting in concert with the Underwriter; any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. As such, CNA, Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan, Mr. Wong Sun Fat and their respective associates shall abstain from voting on the resolution to approve the Whitewash Waiver at the SGM.

Having taken into consideration (i) the reasons and benefits for the Rights Issue and the use of proceeds; (ii) no suitable alternative independent underwriters could be identified as at the Latest Practicable Date; (iii) the terms of the Rights Issue and Underwriting Agreement are considered to be fair and reasonable; (iv) the degree of potential dilution effect on the Independent Shareholders is considered as justifiable; and (v) the generally positive expected financial effects as a result of the Rights Issue, we are of the opinion that the approval for the Whitewash Waiver, which is a condition to the Rights Issue, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATION

Having considered the factors and reasons as stated above, in particular:

(a) the financial information of the Group in particular, (i) the revenue from the Group's manufacturing and sales business is its major source of revenue; and (ii) net losses recorded by the Group for the years ended 31 December 2018 and 2019, which increased the difficulties for the Company to identify independent securities brokers to act as the underwriter to the Rights Issue;

(b) majority of the Existing Cash has already been reserved and allocated with specific usages;

(c) the UOP is consistent with the Group's business plans, which require additional capital;

(d) the UOP would enable the Group to improve its competitiveness and expand its customer base for its manufacturing and sales business, which is its major business segment;

(e) the Rights Issue allows all Qualifying Shareholders to have an equal opportunity to maintain their respective shareholding in the Company at a lower than historical prevailing price to obtain additional Shares;

(f) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier section headed "Our view on the Subscription Price" in this letter;

(g) the difficulties faced by the Company to identify independent securities brokers to act as the underwriter given the prevailing market condition , the potentially high level of underwriting commission that maybe charged by an independent underwriter, and that the Underwriter did not charge any underwriting commission for the Rights Issue which is favourable to the Group;

(h) the terms of the Placing Agreement are consistent with market practice and the placing fee under the Placing Agreement is the same as the lowest of the Placing Comparables;

(i) the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules and is justifiable; and

(j) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market, subject to the then prevailing market conditions, should they wish so, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Listing Rules IBC and the Takeovers Code IBC to recommend the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transaction contemplated thereunder and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
for and on behalf of
VMS SECURITIES LIMITED
Anderson Wong
Managing Director, Corporate Finance

Mr. Anderson Wong is a licensed person and a responsible officer of VMS Securities Limited registered with the Securities and Future Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has over ten years of experience in the corporate finance industry.

1. FINANCIAL SUMMARY OF THE GROUP

Details of the audited consolidated financial statements of the Group for the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.newaygroup.com.hk):

(i) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the final results announcement of the Company for the year ended 31 December 2019 published on 25 March 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0325/2020032501924.pdf);

(ii) the audited consolidated financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, from pages 117 to 307 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291759.pdf); and

(iii) the audited consolidated financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018, from pages 103 to 247 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271354.pdf).

Set out below is a summary of the audited consolidated financial statements of the Group for the years ended 31 December 2017, 2018 and 2019.

	For the year ended 31 December		
	2017	**2018**	**2019**
	Approximately HK$'000	*Approximately HK$'000*	*Approximately HK$'000*
	(audited)	(audited)	(audited)
Revenue	515,534	592,626	560,585
Profit/(loss) before taxation	52,092	(35,220)	(24,994)
Taxation	(4,142)	(3,004)	(5,979)
Profit/(loss) for the year attributable to:			
Owners of the Company	48,146	(37,922)	(30,782)
Non-controlling interest	(196)	(302)	(191)
	47,950	(38,224)	(30,973)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company	94,849	(82,359)	(40,590)
Non-controlling interests	829	(1,040)	(473)
	95,678	(83,399)	(41,063)
Earnings/(loss) per share			
Basic (HK cents)	18.98	(14.95)	(12.14)
Dividend per share	–	–	–

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's report of the Company for each of the years ended 31 December 2017, 2018 and 2019.

There were no items of income or expense, which are material, recorded in the consolidated financial statements of the Group for each of the years ended 31 December 2017, 2018 and 2019.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$112,330,000 comprising (i) secured and guaranteed bank borrowings of approximately HK$95,235,000, which were secured by the Group's properties situated in Hong Kong and guaranteed by the Company and certain subsidiaries of the Company; (ii) unsecured and unguaranteed amount due to a related company of approximately HK$370,000; and (iii) unsecured and unguaranteed amount due to a non-controlling shareholder of a subsidiary of the Company of approximately HK$16,725,000.

As at 29 February 2020, the Group had outstanding lease payments in respect of leasehold land and buildings of approximately HK$78,332,000 comprising (i) secured and unguaranteed lease payments of approximately HK$18,282,000, which were secured by rental deposits paid by the Group; and (ii) unsecured and unguaranteed lease payments of approximately HK$60,050,000.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any debentures or debt securities issued and outstanding or authorised or otherwise created but unissued, or any other borrowings or other similar indebtedness, bank overdrafts, liabilities under acceptances or acceptance credits, finance lease or hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees as at 29 February 2020.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources available to the Group including but not limited to revenue generated by its principal businesses, cash and cash equivalents on hand, the facilities currently available and the net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL CHANGE

The ongoing impact of trade war between the United States of America and the PRC has adversely affected the business of the Group, in particular for the manufacturing and sales segment, and the outbreak of the COVID-19 in January 2020 has led to temporary suspension of operation in factories across the PRC, including factories of the Group which are located in the PRC. Since the outbreak of the COVID-19, the Group has been paying close attention to its development and its impact on the overall economy. It is still premature and impracticable at this stage to assess its impact on the Group since 31 December 2019 up to and including the Latest Practicable Date.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

Looking forward to the year ending 31 December 2020 ("**Year 2020**"), it is expected that the Group will be challenged by all sorts of adversities as the global market continues to be shadowed by economic and political risks, including the prolonged trade dispute between the United States of America and the PRC, the political unrest in Hong Kong and the COVID-19 pandemic that will cast a severe negative impact on every business sector of the world and significantly slow down global economic growth. In order to cope with these complicated and difficult situations, the Group will carefully revise the strategy for all its business segments, diversify and expand the businesses in a cautious way.

Lending Business

Given the global economic uncertainty and the keen market competition, the risks and difficulties facing the lending business will be intensified when the Group expands its loan portfolio. The Group will closely monitor the solvency of borrowers and perform risk assessments on loan applications prudently. Meanwhile, the development of the Group's online money lending platform with more fin-tech elements is at the final testing stage, which aims to provide more value-added services to the Group's clients, especially those seeking personal loans. The Group will also continue to identify new clients and allocate more financial resources for business development in the future.

Manufacturing and Sales Business and Trading Business

Year 2020 will be an extremely challenging year, especially for the business of manufacturing and sales of printing products of the Group ("**Manufacturing and Sales Business**"). The demand for and supply of China-made products have been negatively affected by the punitive tariffs imposed by the government of the United States of America which have orders from the PRC to other Asian countries. The impact is gradually seen in the financial performance of the Group and is expected to persist in Year 2020. Moreover, the COVID-19 pandemic is affecting people's daily life and the global economy. Although the outbreak seems to have stabilized in the PRC, it is rapidly spreading elsewhere in the world. Unfortunately, since a viable vaccine is still under development, the growth of global economy will be jeopardised because more and more countries or cities enter into lockdown and half the movement of people to combat this public health emergency. In addition, the impact of Brexit is unknown and yet to be seen. Accordingly, it will not be easy for the Group to deliver the annual sales target set for Year 2020.

All of the above factors will negatively affect both export and domestic sales of this business segment to varied extents. As a result, the Group will carefully revise its sales strategy in the expansion of these market segments and spare sufficient cash flow to cope with any sudden or prolonged adverse situation beyond its expectation. During 2019, a subsidiary of the Group successfully extended its sales of labels to a new market with a higher profit margin and promising market potential in the PRC by adopting advanced printing technologies. The Group decided to expand the production lines of the new product in a self-owned factory in Shenzhen, the PRC in Year 2020, and certain portions of the factory will be renovated to meet the requirements of a fully automated workshop for high quality products. The Group also intends to acquire new printing machines and ancillary equipment for the expanded production line to increase the production efficiency and lower the defect rate in production activities. After taking production needs and clients' demands into consideration, the renovation will start in April 2020 in phases.

Quality management and enhancement and credit control on the receivables will be the top priorities of the Manufacturing and Sales Business in Year 2020. The Group adopted a new quality management policy during the Year and satisfactory results were recorded. The importance of quality management continues to be communicated to all levels of staff members to raise their awareness of good quality. For credit control on the receivables, the Group will closely monitor the collection of receivables and be caution for any risk of bad debt of its customers. Meanwhile, the Group will also spare dedicated resources to expand the luxury packaging and paper products which enjoy a higher profit margin. Although economic activities are expected to slow down due to the COVID-19 pandemic, the Group will take this opportunity to diversify into the target market sectors with tightened and prudent control on operating costs.

In addition, to cope with the challenges experienced by the printing industry and to maintain the profitability of this segment, the Group will continue to step up its efforts on the following aspects: (i) efficiency and effectiveness enhancement by streamlining the production process of its factories to reduce operation and production wastage; (ii) talent recruitment, provision of value-added services and continuous upgrade of its technology infrastructure, under which a new ERP System has been installed and is under a trial run in the Group's factory in Shenzhen, the PRC; (iii) procurement of alternative materials, verification of their quality and negotiation with vendors for more favourable terms and; (iv) market expansion to cover high value products and explore any long term cooperation or joint venture opportunities with other industry players with production facilities in other Asian countries to further diversify the risks arising from the trade dispute between the United States of America and the PRC in a caution manner; and (v) allocation of more resources to facilities upgrade and recruitment of skilled labours to meet the various requirements of clients. All the strategies adopted by the Group will further equip it with strength and core competence to tackle unknown challenges in the coming years.

For the trading business of printing products, the Group will continue to spare more resources to expand and develop the sales team in Hong Kong and the PRC so as to broaden the clientele and optimise the product mix.

Music and Entertainment Business

In Year 2020, the Group will increase its financial resources to expand the entertainment business in the PRC whereas those for the Hong Kong market will be reduced accordingly. The Group has been contracted to produce a famous overseas talent show and it will work with independent parties to film the show in the Greater Bay Area of the PRC. Although promotional activities of this TV show have been delayed by the COVID-19 pandemic, the Group, together with the independent parties mentioned above, will resume the production of the show when the pandemic subsides. Meanwhile, the Group will continue to devote financial resources to produce and release physical albums and, if think fit, invest in potential projects in the PRC and overseas.

Property Business

In respect of the property development business, apart from the possible disposal or development of the land parcels held by 清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan Zhongqing Property Development Co., Ltd.) ("**Zhongqing**") in Qingyuan, the PRC as mentioned in the section headed "Business and Financial Review" in the final results announcement of the Company for the year ended 31 December 2019, the Group is also seeking cooperation opportunities with third parties to develop the industrial land located in Qingyuan, the PRC for the Qingyuan Project in these two years. At the beginning of Year 2020, the Group took an active role to discuss and evaluate the potential cooperation with an independent third party who referred a biomedical industrial park project to the Group. At the moment, the Group is still negotiating and working on the details of cooperation with this potential partner and it is very likely for both parties to reach a final deal for cooperation shortly. According to the original planning, the land parcel was to be used by the Group as printing factories. As advised by the potential partner, the Group filed an application to revise the current planning of the land parcel so that it can be redeveloped into an industrial park for rental or sales separately in the future. The Group has received the approval from the local government and will make disclosure on the cooperation details in due course.

As part of the Qingyuan Project, the Group plans to construct one block of industrial building on the land parcel and the construction is expected to commence by mid-2020. The construction of the new industrial building will cause no impact on the future cooperation with the potential partner.

In respect of the property investment business, the Group completed the renovation of mini-storage spaces on the ground floor and 1st floor of the Group's self-owned industrial building in Fanling, Hong Kong ("**Fanling Building**") during 2019 and is pending an approval from relevant government authorities, which is expected to be delayed due to the COVID-19 pandemic. The Group will allocate more resources to promote the mini-storage business and facilitate a rebound of the decreased occupancy rate due to the renovation during 2019.

Securities Trading Business

The Group expects that the fair value of equity securities listed in Hong Kong may keep fluctuating in the foreseeable future due to the volatile global economy. In light of this, the Group will closely monitor the general market and market data related to the prospective investees before committing to any securities investment, and will pay attention to the performance of the investments after purchasing as well as make necessary adjustment to the investment strategy in a cautious manner so as to alleviate the impact of extreme market swings. The Group will reduce its financial resources for the securities trading business gradually and spare more resources for the development of other business segments.

Other Business

In view of the significant surge in demand for surgical masks brought about by the COVID-19 pandemic, the Group has decided to establish two production lines of surgical masks in the Fanling Building to meet the huge demand in Hong Kong and overseas. As at the Latest Practicable Date, the renovation of clean room was in progress and all the machineries and raw materials necessary for the production of surgical masks are expected to be delivered to the Fanling Building by April 2020. The mass production of surgical masks is planned to start thereafter in 2020. Apart from the production of surgical masks, the Group will also consider to further expand its presence in the medical and healthcare product industry.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company ("**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019, as extracted and derived from the audited consolidated statement of financial position as at 31 December 2019 for the year ended 31 December 2019, and is adjusted for the effect of the Rights Issue as if the Rights Issue had taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 or at any future dates immediately after the completion of the Rights Issue.

	Consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue as at 31 December 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*
Based on 507,278,912 Rights Shares to be issued at the Subscription Price of HK$0.20 each	889,442	97,956	987,398

	HK$
Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share before the completion of the Rights Issue *(Note 4)*	3.51
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue *(Note 5)*	1.30

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK$889,442,000 as at 31 December 2019 were extracted and derived from the audited consolidated statement of financial position of the Group as at 31 December 2019 on which auditor's report has been issued on 25 March 2020.

(2) The estimated net proceeds from the Rights Issue are based on 507,278,912 Rights Shares to be issued on the basis of two Rights Shares for every one existing Share held on the Record Date at the subscription price of HK$0.20 each, after deduction of the estimated related expenses of approximately HK$3,500,000.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue represents the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 plus the estimated net proceeds from the Rights Issue.

(4) The calculation of the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share before the completion of the Rights Issue is based on the consolidated net tangible assets attributable to the owners of the Company of approximately HK$889,442,000 as set out in Note 1 above divided by 253,639,456 Shares in issue as at 31 December 2019.

(5) Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue of approximately HK$987,398,000 as set out in Note 3 above divided by 760,918,368 Shares which represents the sum of 253,639,456 Shares in issue as at 31 December 2019 and 507,278,912 Rights Shares to be issued.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.

The following is the text of the report dated 9 April 2020, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Unaudited Pro Forma Financial Information of the Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Neway Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Neway Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2019 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 9 April 2020 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of two rights shares for every one existing share held on the record date (the "**Rights Issue**") on the Group's financial position as at 31 December 2019 as if the Rights Issue had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited consolidated statement of financial position of the Group as at 31 December 2019 on which auditor's report has been issued.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 April 2020

The following is the text of a letter, summary of values and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the properties owned by the Group as at 29 February 2020.

Peak Vision
Appraisals Limited

Unit 702, 7th Floor
Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

9 April 2020

The Board of Directors
Neway Group Holdings Limited
Chung Tai Printing Group Building
11 Yip Cheong Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

Dear Sirs,

In accordance with the instruction from Neway Group Holdings Limited (the "**Company**") for us to value the properties owned by the Company and its subsidiaries (together, the "**Group**") located in Hong Kong Special Administrative Region ("**Hong Kong**") and the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such properties as at 29 February 2020 (the "**Valuation Date**") for public documentation purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigations which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property nos. 1, 2 and 3, which are held for investment by the Group in Hong Kong and the PRC respectively, we have adopted the investment method by taking into account the current rents passing and the reversionary income potential of the properties or, where appropriate, the direct comparison method by making reference to comparable sales evidence as available in the relevant market.

In valuing the property no. 4, which is held for owner occupation by the Group in Hong Kong, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market or, where appropriate, the investment method by taking into account the current rent passing and the reversionary income potential of the property.

In valuing the property no. 5, which is held for owner occupation by the Group in the PRC, there are no readily identifiable market comparables due to the nature of buildings and structures constructed, and accordingly such property cannot be valued by comparison with open market transactions. Therefore, we have adopted the depreciated replacement cost method ("**DRC Method**") in arriving at the value of such property. The DRC Method is based on an estimate of the market value for the existing use of the land of the property by direct comparison method, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the localities, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC Method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

We have grouped the properties owned by the Group into the following categories:

Group I – Properties held for investment by the Group in Hong Kong and the PRC

Group II – Properties held for owner occupation by the Group in Hong Kong and the PRC

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the value if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Group, the potential tax liabilities which will arise on direct disposal of the properties held by Group at amounts valued by us mainly comprise the following:

Hong Kong properties

- Stamp duty at progressive rates from 1.5% to 8.5% on the transaction amount (of which both the seller and the buyer are jointly and severally liable).

The PRC properties

- Value added tax ("**VAT**") at 5% or 9% on the transaction amount;
- Other surcharges at approximately 12% of VAT paid;
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value;
- Stamp duty at 0.05% on the transaction amount; and
- Enterprise income tax at 25% on profit before tax of the subject entity.

As advised by the Group, the likelihood of the above relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such properties yet.

We have caused sampling title searches to be made at the Land Registry in Hong Kong in respect of the property nos. 1, 2, and 4. However, we have not searched the original documents to verify ownership or to verify any amendments.

We have been provided by the Group with copies of documents in relation to the titles to the property nos. 3 and 5 which are located in the PRC. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions prepared by Jingtian & Gongcheng, the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the titles to the properties.

The properties were inspected during December 2019 and January 2020 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and the PRC and Henry Tsang, a manager of our firm with 3 years of valuation experience. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the properties but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site and floor areas and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Group has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the properties, we have complied with all the requirements set out in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs issued by Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2020) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the property nos. 1, 2, 3 and 4 and Mr. Nick C. L. Kung has been the signatory to the valuation of property no.1 since 2016 and property nos. 2, 3 and 4 since 2020. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in our property valuation report are in Hong Kong Dollars (HK$). The exchange rate adopted in our valuation is approximately RMB1 = HK$1.11 which was approximately the prevailing exchange rate at the Valuation Date.

We hereby confirm that we have no material connection or involvement with the Group, the properties, or the values reported herein and that we are in a position to provide an objective and unbiased valuation.

Our summary of values and property valuation report are enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), MCIREA,
RICS Registered Valuer
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Property		Capital value in existing state as at 29 February 2020
Group I – Properties held for investment by the Group in Hong Kong and the PRC		
1	Units 21, 22, 23, 41 and 77 on 1st Floor and the whole of 3rd Floor, Hop Yick Commercial Centre (Phase I), No. 33 Hop Choi Street, Yuen Long, New Territories, Hong Kong	HK$107,000,000
2	The whole of Ground Floor, the whole of 1st Floor with flat roof, the whole of 2nd Floor and workshop unit A on 4th Floor, Chung Tai Printing Group Building, No. 11 Yip Cheong Street, Fanling, New Territories, Hong Kong	HK$98,400,000
3	Unit No. 1801 on Level 15, Business Building No.4, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	HK$14,208,000
	Sub-Total:	**HK$219,608,000**

SUMMARY OF VALUES

Property		Capital value in existing state as at 29 February 2020
Group II – Properties held for owner occupation by the Group in Hong Kong and the PRC		
4	The whole of 3rd Floor, workshop unit B on 4th Floor and the whole of 5th Floor with Rooftop, Chung Tai Printing Group Building, No. 11 Yip Cheong Street, Fanling, New Territories, Hong Kong	HK$66,700,000
5	An industrial complex erected on Land Lot No. G08218-9 located at No. 6275 Longgang Boulevard (Henggang Section), Bao'an Village, Henggang Town, Longgang District, Shenzhen, the PRC	HK$130,203,000
	Sub-Total:	**HK$196,903,000**
	Grand Total:	**HK$416,511,000**

PROPERTY VALUATION REPORT

Group I – Property held for investment by the Group in Hong Kong and the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2020
1	Units 21, 22, 23, 41 and 77 on 1st Floor and the whole of 3rd Floor, Hop Yick Commercial Centre (Phase I), No. 33 Hop Choi Street, Yuen Long, New Territories, Hong Kong 1,119/11,800th equal and undivided shares of and in Yuen Long Town Lot No. 292	Hop Yick Commercial Centre (Phase I) is a 4-storey commercial podium completed in about 1982 with a 9-storey residential building erected thereon (Hop Yick House (Phase II)) completed in about 1985. It is located on the eastern side of Hop Choi Street near its junction with Hop Yick Road within Yuen Long, New Territories. The property comprises 5 shop units on the 1st Floor and the whole of the 3rd Floor, accommodating 112 shop units and common areas of Hop Yick Commercial Centre (Phase I) with a total saleable area of approximately 11,451 sq.ft. (1,063.82 sq.m.). Yuen Long Town Lot No. 292 is held under New Grant No. YL2701 for a term of 99 years commencing from 1 July 1898 which has been statutorily extended to 30 June 2047. The government rent payable for the property is an amount equal to 3% of the rateable value from time to time of the property.	As at the Valuation Date, the property was subject to a tenancy for a term of 3 years from 16 March 2019 to 15 March 2022 at a monthly rental of HK$370,000 exclusive of rates, government rent, management fee and other outgoings, renewable at the option of the tenant for a further term of three years at the prevailing market rent.	HK$107,000,000

Notes:

i) The property comprises Units 21, 22, 23, 41 and 77 of 1st Floor and Units 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113 and common areas (i.e. the "**whole**") of 3rd Floor of the Hop Yick Commercial Centre (Phase I).

ii) According to the Land Registry Searches conducted on 31 March 2020:

a) The registered owner of Units 21, 22, 23, 41 and 77 on 1st Floor of the property is Supreme Cycle Inc. (a wholly-owned subsidiary of the Company) vide Memorial No. 09071402860304 dated 18 June 2009 for a consideration of HK$1,050,000.

b) The registered owner of the whole of 3rd Floor (except common areas) of the property is Supreme Cycle Inc. (a wholly-owned subsidiary of the Company) vide Memorial No. 09042902560192 dated 3 April 2009 for a consideration of HK$19,492,000.

c) The registered owner of the common areas at 3rd Floor of the property is Supreme Cycle Inc. (a wholly-owned subsidiary of the Company) vide Memorial No. 09042902560207 dated 3 April 2009 for a consideration of HK$288,000.

d) Units 21, 22, 23, 41 and 77 on 1st Floor and the whole of 3rd Floor (except common areas) of the property are subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 15021802590240 dated 5 February 2015.

e) The common areas at 3rd Floor of the property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 15021802590263 dated 5 February 2015.

f) Units 21, 22, 23, 41 and 77 on 1st Floor and the whole of 3rd Floor (except common areas) of the property are subject to a Deed of Variation and Further Charge in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 17051802550478 dated 2 May 2017.

iii) The property is zoned as "Residential (Group A)" under Approved Yuen Long Outline Zoning Plan No. S/YL/23 dated October 2016.

iv) In our valuation, we have adopted an average market rent of approximately HK$32 per sq.ft/month for the property. The reversionary yield of the property is about 4.10%.

We have made reference to monthly rental transaction comparables in the vicinity. The market rental comparables are about HK$21 to HK$57 per sq.ft/month. The unit rates adopted by us are consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2020
2	The whole of the Ground Floor, the whole of 1^{st} Floor with flat roof, the whole of 2^{nd} Floor and workshop unit A on 4^{th} Floor, Chung Tai Printing Group Building, No. 11 Yip Cheong Street, Fanling, New Territories, Hong Kong Portion of Lot No. 5378 in Demarcation District 51	Chung Tai Printing Group Building (the "**Building**"), comprises a 6-storey industrial building with a workshop, entrance lobby and 7 car parking spaces (3 lorry and 4 private) on the Ground Floor and workshop units from the 1^{st} Floor to 5^{th} Floor completed in about 1988, erected over a parcel of land with a site area of approximately 10,495 sq.ft. (975.00 sq.m.). It is situated on the southwestern side of Yip Cheong Street at the section between Sha Tau Kok Road (Lung Yeuk Tau) and Lok Yip Road, within Fanling, New Territories. The property comprises the whole of the Ground Floor, the whole of 1^{st} Floor including the flat roof thereof, the whole of 2^{nd} Floor and workshop unit A on 4^{th} Floor of the Building with a total gross floor area of approximately 29,368 sq.ft. (2,728.35 sq.m.), exclusive of the flat roof area of approximately 1,025 sq.ft. (95.22 sq.m.) and 7 car parking spaces. Lot No. 5378 in Demarcation District 51 is held under New Grant No. 12242 for a term of 99 years commencing from 1 July 1898 which has been statutorily extended to 30 June 2047. The government rent payable for the property is an amount equal to 3% of the rateable value from time to time of the property.	As advised by the Group, as at the Valuation Date, a portion of the workshop on the Ground Floor and the whole of 1^{st} Floor of the property were subdivided into 307 units as self-storage facilities of which 207 units were licensed by the Group for various terms not longer than 12 months, yielding a total monthly licensing fee of HK$161,916 inclusive of rates, government rent, utility charges and management fee. The remaining portion of the property was vacant.	HK$98,400,000

Notes:

i) According to the Land Registry Search conducted on 31 March 2020, the property is subject to the following encumbrances:

  a) The registered owner of the property is Profit Link Investment Limited (a wholly-owned subsidiary of the Company) vide Memorial No. 19011402260139 dated 5 August 2008.

  b) Order No. "C/HH/004150/16/NT" by the Building Authority under Section 24(1) of the Buildings Ordinance with plan vide Memorial No. 17032901110157 dated 24 February 2017.

  c) Order No. "D00693/NT/16/HH" by the Building Authority under Section 26 of the Buildings Ordinance vide Memorial No. 17032901110169 dated 24 February 2017.

  d) Order No. "C/HH/004164/16/NT" by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 17032901110170 dated 24 February 2017.

  e) Order No. "D00706/NT/16/HH" by the Building Authority under Section 26 of the Buildings Ordinance vide Memorial No. 17032901110189 dated 24 February 2017.

  f) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 19021802230033 dated 28 January 2019.

ii) The property is zoned as "Industrial" under Approved Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/24 dated January 2020.

iii) In our valuation, we have adopted an average market unit rate of approximately HK$3,130 per sq.ft on gross floor area basis for workshop portions and an average price of approximately HK$940,000 for car parking spaces of the property.

  We have made reference to sale transaction comparables in the vicinity. The market sale comparables are about HK$2,100 to HK$3,600 per sq.ft. on gross floor area basis for workshop properties and about HK620,000 to HK$1,500,000 for car parking spaces. The unit rates adopted by us are consistent with the said sale transaction references after due adjustments. Due adjustments to those sale transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2020
3	Unit No. 1801 on Level 15, Business Building No.4, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	China Central Place (the "**Development**") comprises 3 blocks of office buildings erected over a commercial podium, 2 blocks of 5-star hotel buildings, 9 blocks of apartment buildings, 3 blocks of business buildings, 2 blocks of low-rise commercial buildings, 1 block of shopping mall and 1 block of multi-function clubhouse. It is bounded by Xidawang Road, Jianguo Road and Huamao East Road within Chaoyang District, Beijing. Business Building No.4 (the "**Building**") of the Development is a 26-storey office/apartment building with a 3-storey basement (Levels 4, 13, 14 and 24 omitted) completed in about 2005. The property comprises an apartment unit on Level 15 of the Building, with a gross floor area of approximately 175.66 sq.m. (1,891 sq.ft.).	As advised by the Group, as at the Valuation Date, the party wall with adjacent unit (unit no. 1807) had been demolished and the property was subject to a tenancy for office use for a term from 17 January 2019 to 10 April 2021 at a monthly rental of RMB38,000 with a rent free period from 17 January 2019 to 16 February 2019, inclusive of management fee and heating costs.	HK$14,208,000 (or equivalent to RMB12,800,000) *(See Note ii) below)*

Notes:

i) Pursuant to the Building Ownership Certificate No.【X京房權證朝字第1216181】dated 26 February 2013 issued by 北京市住房和城鄉建設委員會 (Beijing Housing and Urban-Rural Development Committee), the building ownership of the property, having a gross floor area of approximately 175.66 sq.m., is vested in 中星尚盛(北京)投資有限公司 (Zhongxing Shangsheng (Beijing) Investment Company Limited) (a wholly-owned subsidiary of the Company) for residential use.

ii) The Group has obtained legal advice that while the property is for residential use under the Building Ownership Certificate (See Note i) above), it was subject to a tenancy for office use as at the Valuation Date. As a result, there exists a legal flaw regarding the permitted use of the property and the Group may be subject to administrative penalty of a fine of up to RMB30,000. In the course of our valuation, we have noted such non-compliance issue, yet as our valuation is prepared on the assumption that "the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value", we have made no allowance for the fine that the property may be subject to in arriving at our valuation.

iii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) The building ownership of the property is legally held by 中星尚盛(北京)投資有限公司 (Zhongxing Shangsheng (Beijing) Investment Company Limited) (a wholly-owned subsidiary of the Company);

(b) 中星尚盛(北京)投資有限公司 (Zhongxing Shangsheng (Beijing) Investment Company Limited) (a wholly-owned subsidiary of the Company) holds the building ownership of the property and has no material legal obstacle to occupy, utilize, lease out, transfer, mortgage or otherwise deal with the property in accordance with the law;

(c) The lease of the property has legal flaw in which the property, a residential unit, is leased to a third party for office use. According to the relevant laws, the relevant administrative department may issue an order for corrective measures within a deadline and where there is no illegal income, a penalty of less than RMB5,000 may be imposed; where there exists illegal income, a penalty of more than 100% but less than 300% of the illegal income, but no more than RMB30,000, may be imposed. The property is therefore subject to a risk of administrative penalties.

(d) While leasing registration procedures have not been carried out for the lease contract, the legal validity of such contract would not be affected. The parties to the lease contract are subject to the following legal risks: the relevant administrative department may impose orders for corrective measures within a prescribed deadline; if corrections within the deadline fail to occur, a fine of above RMB1,000 but below RMB10,000 may be imposed.

iv) In our valuation, we have adopted a market rent of approximately RMB135 per sq.m./month for the property. The reversionary yield of the property is about 2.25%.

We have made reference to rental transaction comparables in the vicinity. The market rental transaction comparables are about RMB136 to RMB160 per sq.m./month. The unit rate adopted by us is consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, time and location in arriving at our opinion of value.

PROPERTY VALUATION REPORT

Group II – Properties held for owner occupation by the Group in Hong Kong and the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2020
4	The whole of 3rd Floor, workshop unit B on 4th Floor and the whole of 5th Floor and the roof, Chung Tai Printing Group Building, No. 11 Yip Cheong Street, Fanling, New Territories, Hong Kong Portion of Lot No. 5378 in Demarcation District 51	Chung Tai Printing Group Building (the "**Building**"), comprises a 6-storey industrial building with a workshop, entrance lobby and 7 car parking spaces (3 lorry and 4 private) on the Ground Floor and workshop units from the 1st Floor to 5th Floor completed in about 1988, erected over a parcel of land with a site area of approximately 10,495 sq.ft. (975.00 sq.m.). It is situated on the southwestern side of Yip Cheong Street at the section between Sha Tau Kok Road (Lung Yeuk Tau) and Lok Yip Road, within Fanling, New Territories. The property comprises the whole of the 3th Floor, workshop unit B on 4th and the whole of 5th Floor and the roof of the Building with a total gross floor area of approximately 22,942 sq.ft. (2,131.36 sq.m.), exclusive of roof area of approximately 8,119 sq.ft. (754.29 sq.m.). Lot No. 5378 in Demarcation District 51 is held under New Grant No. 12242 for a term of 99 years commencing from 1 July 1898 which has been statutorily extended to 30 June 2047. The government rent payable for the property is an amount equal to 3% of the rateable value from time to time of the property.	As advised by the Group, as at the Valuation Date, the property was occupied by the Group for storage and ancillary office uses.	HK$66,700,000

Notes:

i) According to the Land Registry Search conducted on 31 March 2020, the property is subject to the following encumbrances:

a) The registered owner of the property is Profit Link Investment Limited (a wholly-owned subsidiary of the Company) vide Memorial No. 19011402260139 dated 5 August 2008.

b) Order No. "C/HH/004150/16/NT" by the Building Authority under Section 24(1) of the Buildings Ordinance with plan vide Memorial No. 17032901110157 dated 24 February 2017.

c) Order No. "D00693/NT/16/HH" by the Building Authority under Section 26 of the Buildings Ordinance vide Memorial No. 17032901110169 dated 24 February 2017.

d) Order No. "C/HH/004164/16/NT" by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 17032901110170 dated 24 February 2017.

e) Order No. "D00706/NT/16/HH" by the Building Authority under Section 26 of the Buildings Ordinance vide Memorial No. 17032901110189 dated 24 February 2017.

f) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 19021802230033 dated 28 January 2019.

ii) The property is zoned as "Industrial" under Approved Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/24 dated January 2020.

iii) In our valuation, we have adopted an average market unit rate of approximately HK$2,910 per sq.ft on gross floor area basis for the property.

We have made reference to sale transaction comparables in the vicinity. The market comparables are about HK$2,100 to HK$3,600 per sq.ft. on gross floor area basis. The unit rates adopted by us are consistent with the said sale transaction references after due adjustments. Due adjustments to those sale transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2020
5	An industrial complex erected on Land Lot No. G08218-9 located at No. 6275 Longgang Boulevard (Henggang Section), Bao'an Village, Henggang Town, Longgang District, Shenzhen, the PRC	The property comprises an industrial complex with a 5-storey building and ancillary structures completed between 1991 and 2011, erected on an irregular shaped parcel of land with a registered site area of approximately 30,827.20 sq.m (Land Lot No. G08218-9). It is situated on the western side of Longgang Boulevard near its junction with Hengping Highway, Bao'an Village, Henggang Town, Longgang District. It is approximately 550m walking distance from Yonghu Station of the Longgang Line (Line 3 of Shenzhen Metro) located to the southwest of the property, and approximately 1,200m walking distance from He'ao Station of the Longgang Line located to the northeast of the property. Developments in the area mainly comprise industrial complex, residential, office and commercial developments. The building (known as No. 2 industrial building) is used as workshop, having a total gross floor area of approximately 24,746.43 sq.m. The ancillary structures include various warehouses, dormitories, pump room, etc. having a total gross floor area of approximately 41,189.44 sq.m. *(See Note (vii) below).* The land use rights of the property have been granted for a term expiring on 14 August 2047 for industrial use.	As advised by the Group, as at the Valuation Date, the property was occupied by the Group for production use. No. 2 industrial building of the property was leased intragroup to Neway Chung Tai Printing (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Company) ("**Neway Chung Tai (SZ)**") for a term from 1 January 2018 to 31 December 2021 at a monthly rental of RMB250,000 in 2018 followed by an increase of not more than 10% per year from 2019 to 2021. As advised by the Group, the monthly rental in 2019 was RMB250,000. The ancillary structures of the property were leased intragroup to Neway Chung Tai (SZ) for a term from 1 January 2018 to 31 December 2021 free of charge. *(See Note (viii) below)* *Pursuant to the land use agreement (the* "**Land Use Agreement**") entered into between Chung Tai Printing (China) Co., Ltd. (a wholly-owned subsidiary of the Company) ("**Chung Tai Printing**") and Neway Chung Tai (SZ), the land (Land Lot No. G08218-9) of the property was leased intragroup to Neway Chung Tai (SZ) for a term from 1 January 2018 to 31 December 2021 free of charge. *(See Note (viii) below)*	HK$130,203,000 (or equivalent to RMB117,300,000)

Notes:

i) Pursuant to the Real Estate Title Certificate No. Shen Fang Di Zi Di 6000520887 registered with Shenzhen Real Estate Title Registration Center on 16 May 2012, the building ownership of No. 2 industrial building of the property having a total gross floor area of approximately 24,746.43 sq.m. is vested in Chung Tai Printing (a wholly-owned subsidiary of the Company) and the land use rights of the property having a registered site area of approximately 30,827.20 sq.m. have been granted for a term expiring on 14 August 2047 for industrial use.

ii) Pursuant to the Construction Land Use Planning Permit No. Shen Gui Tu Gui Xu Zi 06-2000-0175 dated 18 August 2000, approval has been granted to Chung Tai Printing to develop the property with a site area of 30,827.2 sq.m. and a total gross floor area of 46,857.34 sq.m. (including 24,028.50 sq.m. for industrial building, 4,329.24 sq.m. for warehouse, 15,000 sq.m. for dormitory and 3,499.60 sq.m. for other buildings).

iii) Pursuant to the Grant Contract of State-owned Land Use Rights No. Shen Di He Zi (1997) 5107 entered into between Shenzhen Planning and State-owned Land Bureau (the "**Bureau**") and Chung Tai Printing dated 15 August 1997, the Bureau agreed to grant the land use rights of a portion of the property to Chung Tai Printing. The salient conditions stipulated in the said contract are summarised as follows:

a)	Site area	:	6,000.10 sq.m.
b)	Lot No.	:	G08218-7
c)	Land use term	:	50 years (From 15 August 1997 to 15 August 2047)
d)	Land use	:	Industrial
e)	Site coverage	:	not exceeding 35%
f)	Plot ratio	:	not exceeding 1.6
g)	Gross floor area	:	not exceeding 9,600 sq.m.
h)	Land grant consideration	:	RMB220,500
i)	Construction project commencement and completion dates	:	Construction to commence before 15 August 1998 and complete before 15 August 1999

iv) Pursuant to the Grant Contract of State-owned Land Use Rights No. Shen Di He Zi (1998) 5029 entered into between the Bureau and Chung Tai Printing dated 28 February 1998, the Bureau agreed to grant the land use rights of the remaining portion of the property to Chung Tai Printing. The salient conditions stipulated in the said contract are summarised as follows:

a)	Site area	:	24,827.10 sq.m.
b)	Lot No.	:	G08218-8
c)	Land use term	:	50 years (From 28 February 1998 to 27 February 2048)
d)	Land use	:	Industrial
e)	Site coverage	:	30%
f)	Plot ratio	:	1.5
g)	Greenery ratio	:	Not less than 35%
h)	Gross floor area	:	not exceeding 37,240.65 sq.m.
i)	Land grant consideration	:	RMB242,536
j)	Construction project commencement and completion date	:	Construction to commence before 28 February 1999 and complete before 28 February 2000

v) Pursuant to the Supplementary Contract dated 7 August 2000 for the Grant Contracts of State-owned Land Use Rights Nos. Shen Di He Zi (1997) 5107 and (1998) 5029 respectively, the Bureau agreed to merge the above mentioned two land lots into one. The salient conditions stipulated in the said contract are summarised as follows:

a)	Total site area after merging	:	30,827.20 sq.m.
b)	Total gross floor area	:	46,857.34 sq.m.
c)	Plot ratio	:	not exceeding 1.52
d)	Lot No.	:	Before merging : G08218-7 and G08218-8 After merging : G08218-9

vi) Pursuant to the Construction Works Planning Permit No. Shen Gui Tu Jian Xu Zi LG1999047 dated 16 April 1999, approval has been granted to Chung Tai Printing to develop No. 4 warehouse of the property with a gross floor area of approximately 4,191.24 sq.m.

vii) The ancillary structures of the property include No. 3 industrial building, No. 4 warehouse (excluding rooftop structures), No. 6 dormitory and a portion of No. 5 dormitory having a total gross floor area of approximately 34,604.55 sq.m. (collectively, the "**Ancillary Structures I**"), No. 2 pump room, No. 4 corridor and portions of Nos. 1, 2 and 3 corridors, engineering warehouse and portion of dormitory duty room, etc. having a total gross floor area of approximately 684.84 sq.m. (collectively, the "**Ancillary Structures II**") and sheds, engineering carpentry maintenance room, rooftop structures of No. 4 warehouse, Nos. 1 and 3 cargo platform, attendance punch card room and sewage treatment, having a total gross floor area of approximately 5,900.05 sq.m. (collectively, the "**Ancillary Structures III**").

viii) Certain ancillary structures constructed on the land are without proper title certificates in the PRC. The Group is of the view that the ancillary structures are of title defects and therefore such ancillary structures and the land were leased intragroup to Neway Chung Tai (SZ) free of charge.

ix) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

a) The land use rights of the property and building ownership of No. 2 industrial building are legally held by Chung Tai Printing;

b) Chung Tai Printing is entitled to occupy, use, lease out, transfer, mortgage, or otherwise legally deal with the land use rights of the property and building ownership of No. 2 industrial building;

c) Bao'an Village of Henggang Town has refused to cooperate with Chung Tai Printing to fulfill the legal requirements of the application process and has resulted in major legal obstacles for Chung Tai Printing to apply for relevant initial registrations and real estate title certificates for No. 3 industrial building, No. 4 warehouse (excluding rooftop structures) and No. 6 dormitory through relevant laws and regulations of removal of illegal constructions;

d) Regarding the Ancillary Structures I (excluding the portion of No. 5 dormitory), Chung Tai Printing has not yet obtained the Construction Works Planning Permit for No. 3 industrial building and No. 6 dormitory and there is a risk that they will be deemed by the relevant department as illegal structures and subject to administrative penalties or demolition order. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact of the absence of permits, the relevant administrative department may issue an order for corrective measures to be done within a deadline, with a penalty of more than 5% but less than 10% of the construction cost; if corrective measures cannot be taken, an order may be issued for demolition with a deadline, and if demolition is impossible, the structures or illicit proceeds may be confiscated with a penalty of not more than 10% of the construction cost. Completion verification and acceptance has not been done for No. 4 warehouse (excluding rooftop structures) before its use, and there is a legal risk that the administrative construction department will make a corrective order with a penalty of more than 2% but less than 4% of the construction contract price;

e) Regarding the Ancillary Structures I (excluding the portion of No. 5 dormitory), Chung Tai Printing has not yet conducted environment impact assessment. Considering that the Ancillary Structures I have been established for more than 15 years, Chung Tai Printing is subject to lesser risk of punishment by the relevant departments; however, if there is any third party legal rights violation due to construction quality or environment issues, Chung Tai Printing still has to bear the risk of compensating the related losses;

f) Chung Tai Printing has not yet obtained the Construction Works Planning Permit for the Ancillary Structures II erected on the property. According to the PRC Legal Adviser, the Ancillary Structures II are permanent structures, therefore according to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact of the absence of permits, the relevant administrative department may issue an order for corrective measures to be taken within a deadline, with a penalty of more than 5% but less than 10% of the construction cost; if corrective measures cannot be taken, an order may be issued for demolition within a deadline, and if demolition is impossible, the structures or illicit proceeds may be confiscated with a penalty of not more than 10% of the construction cost;

g) Chung Tai Printing has not yet obtained approval for construction of the Ancillary Structures III erected on the property. According to the PRC Legal Adviser, the Ancillary Structures III are temporary structures, therefore according to the relevant laws, relevant administrative departments may issue a demolition order within a deadline with a penalty of not more than 100% of the construction cost;

h) The land use rights of the property are not subject to seizure or mortgage and aside from the matters mentioned herein, the buildings of the property are not subject to mortgages, major litigations, disputes or other material adverse circumstances;

i) Chung Tai Printing has not yet obtained the relevant construction permits for the ancillary structures erected on the property. According to the PRC Legal Adviser, the intragroup lease agreement entered into between Chung Tai Printing and Neway Chung Tai (SZ) is deemed invalid in accordance with relevant laws. However, as the land use rights of the land on which the ancillary structures are constructed are legally held by Chung Tai Printing, the Land Use Agreement remains valid and Neway Chung Tai (SZ) is entitled to use the land of the property pursuant to the Land Use Agreement;

j) Regarding the No. 2 industrial building which is currently leased intragroup to Neway Chung Tai (SZ) for a term from 1 January 2018 to 31 December 2021 at a monthly rental of RMB250,000 in 2018 followed by an increase of no more than 10% per year from 2019 to 2021, Chung Tai Printing has not applied for house tenancy filing and registration. According to the PRC Legal Adviser, the absence of registration will not affect the validity of the intragroup lease agreement but Chung Tai Printing may be subject to a fine of above RMB1,000 but below RMB10,000 if no corrective measure is taken within the deadline required by the administrative departments. As confirmed by Chung Tai Printing, it had not received any order from administrative departments to take corrective measures within a deadline as at the date of the PRC legal opinion. Nevertheless, Chung Tai Printing will promptly take corrective measures should a corrective order be issued to it by the administrative departments; and

k) Regarding the No. 5 dormitory, as Chung Tai Printing is unable to confirm whether Bao'an Village of Henggang Town has applied for the relevant construction licenses, the PRC Legal Adviser cannot make judgement on whether Bao'an Village of Henggang Town has legal ownership or legal authorization to lease the No. 5 dormitory. The PRC Legal Adviser also cannot rule out the possibility of the existence of illegal constructions and third party rights, and that the administrative departments or third parties may raise question, request demolition or make other claims regarding the No. 5 dormitory.

x) In the course of our valuation, we have attributed no commercial value to the ancillary structures (including Ancillary Structures I, II, and III) of the property, as proper title certificates have not been obtained by Chung Tai Printing.

xi) In our valuation, we have adopted an unit rate of approximately RMB1,810 per sq.m. for accommodation value (AV) of the land portion of the property.

In the course of our valuation of the land portion of the property, we have made reference to recent land sale comparables of industrial use in the vicinity which have characteristics comparable to the land portion of the property. The prices of those sale comparables references are about RMB1,050 to RMB2,910 per sq.m. for accommodation value (AV) of the land. The unit rate assumed by us is consistent with the said sale comparables references for land after due adjustment. Due adjustments to the unit rates have been made to reflect factors including but not limited to time, location and size of the land portion of the property in arriving at our opinion of value.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent property valuer, in connection with its valuation as at 29 February 2020 of the properties held by the Group.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

9 April 2020

The Board of Directors
Neway Group Holdings Limited
Chung Tai Printing Group Building
11 Yip Cheong Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests (the "**Properties**") held by Neway Group Holdings Limited (the "**Company**") and its subsidiaries (together referred as the "**Group**") located in the People's Republic of China ("**PRC**"). We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 29 February 2020 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("**Market Value**") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Properties by using the direct comparison approach by making reference to the comparable market transactions/asking cases as available. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of Market Value.

VALUATION CONSIDERATIONS

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs (the "**Code on Takeovers and Mergers**") issued by the Securities and Futures Commission and the HKIS Valuation Standards 2017 Edition.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;

ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

iii. the owners of the Properties have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;

iv. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown; and

v. the Properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Properties. However, we have not examined the original documents to verify the existing title to the Properties or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, Guangdong LianRui Law Firm (廣東聯睿律師事務所), concerning the validity of the title to the Properties.

POTENTIAL TAX LIABILITIES

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which will arise on direct disposal of the Properties held by the Group at the amounts valued by us mainly comprise the followings:

- Enterprise income tax at 25% on profit before tax of the subject entity;
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value;
- Stamp duty at 0.05% on the transaction amount;
- Urban construction cost, education tax and local tax for education at a total of 12% of land appreciation tax.

As advised by the Group, the likelihood of the above relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such Properties yet.

According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

LIMITING CONDITIONS

We have conducted on-site inspections to the Properties on 16 December 2019 by our staff Mr. KC Chan (BSc in Surveying).

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the Properties. Our valuation is prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the Properties or on adjoining or neighboring land or that the Properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties. The plans, including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Properties for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept any liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Properties.

The market that the property is valued in is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that we could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

REMARKS

We have valued the Properties in Renminbi (RMB).

We enclose herewith the property particulars and opinion of value.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau	**Jessie X. Chen**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MRICS, MSc (Real Estate), BEcon*
Managing Director	*Associate Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 25 years' experience in valuation of properties in Hong Kong, Macau Special Administrative Region, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in Hong Kong, Macau Special Administrative Region, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUES

		Market Value as at 29 February 2020 RMB
1.	A parcel of land numbered N32000004 located at North of Lianhu Industrial Zone, Qingcheng District, Qingyuan City, Guangdong Province, the PRC (廣東省清遠市清城區蓮湖產業園北側編號為N32000004之一幅地塊)	90,700,000
2.	Two parcels of land numbered B19001-1 and B19001-2 located at Liantang Village Committee of Dongcheng Street Office, Qingcheng District, Qingyuan City, Guangdong Province, the PRC (廣東省清遠市清城區東城街道辦事處蓮塘村民委員會編號為B19001-1和B19001-2之兩幅地塊)	No commercial value Reference value: 39,210,000
	Total:	129,910,000* Reference value included

PROPERTY PARTICULARS AND OPINION OF VALUE

	Property	Description	Particulars of occupancy	Market value as at 29 February 2020 *RMB*
1.	A parcel of land numbered N32000004 located at North of Lianhu Industrial Zone, Qingcheng District, Qingyuan City, Guangdong Province, the PRC 廣東省清遠市清城區蓮湖產業園北側編號為N32000004之一幅地塊	The property comprises a parcel of land with a site area of approximately 207,999.95 sq.m. The land use rights of the property have been granted for terms expiring on 10 August 2067 for industrial use.	The property is currently vacant and pending for future development *(Note 5).*	90,700,000 (NINETY MILLION SEVEN HUNDRED THOUSAND ONLY)

Notes:

1. Pursuant to a State Land Use Rights Contracts – State-owned Land Use Rights Grant Contract No.4418002017B02317 (國有建設用地使用權出讓合同編號4418002017B02317), the land use rights of the property with a site area of approximately 207,999.95 sq.m. have been granted to Chung Tai Printing (Qingyuan) Company Limited (中大印刷(清遠)有限公司) ("**Chung Tai**"), an indirect wholly-owned subsidiary of the Company with details as follows:

Restricted Items	Parameters
Plot Ratio	No more than 2 and no less than 1
Site Coverage	No more than 45% and no less than 30%
Building Height Restriction	n/a
Ratio of Green Space	No less than 20%
Maximum Gross Floor Area	415,999.9 sq.m.

2. Pursuant to the State-owned Land Use Rights Certificate – (2017) 0047427 issued by the Qingyuan Municipal Bureau of Land and Resources dated 18 October 2017, the land use rights of the property with a site area of approximately 207,999.95 sq.m. were granted to Chung Tai for a term expiring on 10 August 2067 for industrial use.

3. Pursuant to the Construction Works Planning Permit No. B20190466 issued by Qingyuan Natural Resources Bureau Qingcheng Branch dated 6 December 2019, Chung Tai is permitted to build a 4-storey high production workshop with total gross floor area of 22,482.18 sq.m. on portion of the property with site area of 5,406.72 sq.m.. As advised by the Group, the budgeted cost is around RMB40 million for completing such development. Based on our estimation, the gross development value (as defined below) of this building is around RMB56 million.

   Gross development value is the assessment of total proceeds of sale arising from the sale of all elements of the completed development proposed to be built on the site being valued.

   Except for the above construction works planning permit, as advised by the Group, no other planning permit for the remaining site was available as at the Valuation Date (i.e. 29 February 2020).

4. As advised by the Group, Chung Tai has submitted a new application dated 13 January 2020 for developing the site for biomedical industry and such application has been approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee office on 18 March 2020 (i.e. after the Valuation Date).

5. As at the Valuation Date, the property was vacant and land formation work had been carried out.

6. The property is situated at north of Lianhu Industrial Zone in Yuantan Town of Qingcheng District, next to the provincial highway No.S253 (253省道), also known as Yinying Highway（銀英公路）. The subject locality comprises mainly rural villages, industrial and agricultural lands.

7. We have been provided with a legal opinion issued on 9 April 2020 by the Group's PRC legal adviser, Guangdong LianRui Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:

   i. The property is legally held by Chung Tai;

   ii. Chung Tai has the legal right to use, lease and mortgage the property;

   iii. According to the land grant contract, Chung Tai should fulfill the minimum total investment in fixed assets of RMB998,399,760; and

   iv. the Property is not subject to any mortgage, seizure or transfer.

PROPERTY PARTICULARS AND OPINION OF VALUE

	Property	Description	Particulars of occupancy	Market value as at 29 February 2020 *RMB*
2.	Two parcels of land numbered B19001-1and B19001-2 located at Liantang Village Committee of Dongcheng Street Office, Qingcheng District, Qingyuan City, Guangdong Province, the PRC 廣東省清遠市清城區東城街道辦事處蓮塘村民委員會編號為B19001-1及B19001-2之兩幅地塊	The property comprises two parcels of land with a total site area of approximately 5,853.4 sq.m. The land use rights of the property have been granted for terms expiring on 26 December 2054 for mixed residential use.	The property is currently vacant and pending for future development.	No commercial value *(Please refer to note.3 below)*

Notes:

1. Pursuant to two State Land Use Rights Contracts – No.B19001-1 and No. B19001-2 (土地使用權轉讓合同編號B19001-1及B19001-2), the land use rights of the property with a total site area of approximately 5,853.4 sq.m. have been granted to Qingyuan Zhongqing Property Development Co. Ltd. (清遠市中清房地產開發有限公司) ("**Zhongqing**"), an indirect non-wholly owned subsidiary of the Company with details as follows:

Restricted Items	**Parameters**
Plot Ratio	No more than 3.8 and no less than 1
Site Coverage	No more than 28%
Building Height Restriction	80 meter
Ratio of Green Space	No less than 30%
Maximum Gross Floor Area	20,282 sq.m.

2. Pursuant to the two State-owned Land Use Rights Certificates – (2011) 01593 and (2011) 01594 issued by the Qingyuan Municipal Bureau of Land and Resources dated 28 October 2011, the land use rights of the property with a total site area of approximately 5,853.4 sq.m. were granted to Zhougqing for a term expiring on 26 December 2054 for mixed residential use.

3. The land use right of the property is freezed by court due to a pending litigation and currently cannot be freely transferred in the market. Therefore we have attributed no commercial value as at the valuation date to the property due to current restriction on the transferability. For reference only, assuming that the property is free from any encumbrance and can be freely transferred, occupied, leased or mortgaged in the market, the market value of the property is RMB39,210,000 (THIRTY-NINE MILLION TWO HUNDRED TEN THOUSAND ONLY).

4. We have been provided with a legal opinion by the Group's PRC legal adviser on 9 April 2020, Guangdong LianRui Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:

   i. the property is legally held by Zhongqing;

   ii. the land use right of the property is freezed by court and pending for further settlement, and hence there are difficulties to transfer or mortgage the property; and

   iii. a construction work planning permit was issued in 2013 but up to the date of the legal opinion, the property was still vacant. If the property is not developed within the time specified in the land use right contract, there is a legal risk of imposition of fine for idle land or subject to surrender order by the land authority without compensation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue) will be as follows:

i. As at the Latest Practicable Date

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000
Issued and paid-up share capital:		
253,639,456	Shares of HK$0.01 each	2,536,395

ii. Immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue)

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000
Issued and paid-up share capital:		
253,639,456	Shares of HK$0.01 each in issue as at the Latest Practicable Date	2,536,395
507,278,912	Rights Shares to be allotted and issued upon completion of the Rights Issue	5,072,789
760,918,368	Shares of HK$0.01 each	7,609,184

All the Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the then existing Shares in issue in all respects including rights to dividends, voting and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company had not issued any Shares since 31 December 2019, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
31 July 2019	0.280
30 August 2019	0.225
30 September 2019	0.270
31 October 2019	0.265
29 November 2019	0.244
31 December 2019	0.250
10 January 2020 (The Last Trading Day)	0.250
31 January 2020	0.202
28 February 2020	0.200
31 March 2020	0.192
7 April 2020 (The Latest Practicable Date)	0.185

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 10 July 2019 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.176 on 3 April 2020, and HK$0.325 on 11 July 2019 and 12 July 2019, respectively.

4. DISCLOSURE OF INTERESTS

a) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Mr. Suek	Founder of a discretionary trust who can influence how the trustee exercises his discretion *(Note)*	543,314,912	
	Beneficial owner	3,630,000	
		546,944,912	215.64%
Mr. Suek Chai Hong	Beneficial owner	2,100,000	0.83%
Dr. Ng Wai Kwan	Beneficial owner	24,000	0.01%
Mr. Wong Sun Fat	Beneficial owner	300,000	0.12%

Note: These Shares are held by CNA which in turn is beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek, the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong.

Long positions in the shares and underlying shares of associated corporations

As at the Latest Practicable Date, CNA beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

Name of subsidiary	Number of deferred non-voting shares held
New Box Mini Storage Limited	2
Chung Tai Printing (China) Company Limited	100
Chung Tai Printing Company Limited	3,000
Profit Link Investment Limited	2
The Greatime Offset Printing Company Limited	9,500

Given the relationship between CNA and Mr. Suek as stated in the Note above, Mr. Suek is deemed to be interested in all the deferred non-voting shares owned by CNA in the above subsidiaries of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and/or short positions which he was taken or deemed to have under such provisions of the SFO), or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (not being Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO 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 issued voting shares of any other member of the Group:

Long position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
CNA *(Note 1)*	Beneficial owner	119,616,000	
	Interest in a controlled corporation *(Note 2)*	423,698,912	
		543,314,912	214.21%
The Underwriter	Underwriter	423,698,912	167.05%
Fiducia Suisse SA *(Note 1)*	Trustee	39,872,000 *(Note 3)*	15.72%

Name	Capacity	Number of Shares held	Approximate percentage of interest
David Henry Christopher Hill	Interest in a controlled corporation	39,872,000 *(Note 3)*	15.72%
Rebecca Ann Hill *(Note 4)*	Interest of spouse	39,872,000 *(Note 3)*	15.72%

Notes:

1. CNA is beneficially owned by the Preserve Capital Trust, a discretionary trust set up by Mr. Suek, the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong. Fiducia Suisse SA, which is wholly-owned by Mr. David Henry Christopher Hill, is the trustee of the Preserve Capital Trust.

2. The Underwriter is wholly-owned by CNA and therefore CNA is deemed to be interested in all the Shares held by the Underwriter.

3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, by virtue of the relationship of CNA, Fiducia Suisse SA, David Henry Christopher Hill and Rebecca Ann Hill as stated in Notes 1 and 4, each of Fiducia Suisse SA, David Henry Christopher Hill and Rebecca Ann Hill should be deemed to be interested in all the Shares in which CNA is interested under the SFO. As at the Latest Practicable Date, no notice on disclosure of interest has been filed by each of Fiducia Suissa SA, David Henry Christopher Hill and Rebecca Ann Hill in relation to the deemed interest in 503,442,912 Shares in which CNA is interested.

4. Spouse of Mr. David Henry Christopher Hill.

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the person who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group was as follows:

Name	Name of Group member	Amount of contribution to paid-up registered capital	Percentage of shareholding
清遠市凌雲發展有限公司 (unofficial English translation being Qingyuan City Lingyun Development Co., Ltd.)	清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan Zhongqing Property Development Co., Ltd.)	RMB800,000	40%

Save as disclosed above, the Directors and chief executive of the Company are not aware, as at the Latest Practicable Date, of any person (who are not Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO 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 issued voting shares of any other member of the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or any proposed Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, the following contracts or arrangements were subsisting in which the Director(s) might be materially interested and which is significant in relation to the business of the Group:

(i) on 2 May 2019, Supreme Cycle Inc. (a wholly-owned subsidiary of the Company) entered into a tenancy agreement as landlord with Well Dragon Limited (which is beneficially wholly-owned by a discretionary trust of which Mr. Suek is one of the discretionary objects) as tenant in respect of the leasing of units 21, 22, 23, 41 and 77 on 1/F and the whole of 3/F, Hop Yick Commercial Centre, No. 33 Hop Choi Street, Yuen Long, New Territories, Hong Kong for a fixed term of three years from 16 March 2019 to 15 March 2022 (both days inclusive) (with an option for renewal for further term of three years) at a monthly rent of HK$370,000 for the operation of a karaoke outlet or related business ancillary to karaoke operations conducted by Well Dragon Limited and its affiliated companies. Given the connection between Mr. Suek and Well Dragon Limited, Mr. Suek is considered as having a material interest in the aforesaid tenancy agreement; and

(ii) the Company entered into the Underwriting Agreement with the Underwriter, a company wholly-owned by CNA, which was in turn beneficially owned by Preserve Capital Trust, a discretionary trust set up by Mr. Suek and the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong. Given the connection between Mr. Suek and the Underwriter as mentioned, Mr. Suek is deemed to have a material interest in the transactions contemplated under the Underwriting Agreement.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

(i) save for the Shares as set out in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the "Letter from the Board" of this circular, neither the Underwriter nor any parties acting in concert with it nor the directors of the Underwriter owned, controlled or had direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) neither the Underwriter nor any parties acting in concert with it nor the Company has received any irrevocable commitment to vote for or against the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver in the SGM;

(iii) none of the Underwriter and any parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iv) none of the Company and the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(v) save for the Underwriting Agreement and the Irrevocable Undertakings, none of the Underwriter and parties acting in concert with it, the Company and the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(vi) save for Mr. Suek, who is the founder of Preserve Capital Trust which is the ultimate beneficial owner of the entire equity interest of the Underwriter, none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Underwriter or similar rights which are convertible or exchangeable into shares of the Underwriter. Save as disclosed above and save for the Underwriting Agreement and the Irrevocable Undertakings, none of the Company and the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period;

(vii) save for the Underwriting Agreement and the Irrevocable Undertakings, there were no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;

(viii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" or who was an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

(ix) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

(x) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

(xi) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter and parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

(xii) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no understanding, arrangement or agreement or special deal between (i) any Shareholders; and (ii) the Underwriter and parties acting in concert with it; or the Company, its subsidiaries or associated companies;

(xiii) there was no agreement, arrangement or understanding between the Underwriter and other persons in relation to the transfer, charge or pledge of the Shares that will be issued and allotted to the Underwriter pursuant to the Rights Issue or may be issued and allotted to the Underwriter pursuant to the fulfillment of its obligations under the Underwriting Agreement;

(xiv) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriter as set out in the sub-section headed "Conditions of the Rights Issue" under the section headed "THE UNDERWRITING AGREEMENT" in the "Letter from the Board" in this circular, there was no agreement or arrangement to which the Underwriter or any party acting in concert with it is a party which related to the circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;

(xv) Mr. Suek, Mr. Suek Chai Hong and Dr. Ng Wai Kwan, each being a Director, had executed the Irrevocable Undertakings to accept the relevant Rights Shares to be provisionally allotted to each of them under the Rights Issue, while Mr. Wong Sun Fat, being a Director, did not express his intention, in respect of his own beneficial shareholding, to accept or reject the relevant Rights Shares to be provisionally allotted to him under the Rights Issues. Each of Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat and their respective associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM in accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules. Each of Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat and their respective associates shall also abstain from voting on the resolution to approve the Whitewash Waiver at the SGM with respect of their respective beneficial shareholding. Save for Mr. Suek, Mr. Suek Chai Hong, Dr. Ng Wai Kwan and Mr. Wong Sun Fat, none of the Directors hold any Share as at the Latest Practicable Date;

(xvi) no benefit had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

(xvii) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by the Underwriter and parties acting in concert with it in which any Director had a material personal interest; and

(xviii) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

8. DIRECTORS' SERVICE CONTRACTS

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

9. LITIGATION

As at the Latest Practicable Date, Zhongqing, a non-wholly owned subsidiary of the Company, held the land use rights of two parcels of land in Qingyuan, the PRC. On 18 June 2014, 深圳市中星國盛投資發展有限公司 (unofficial English translation being Shenzhen Zhongxing Guosheng Investment Development Co., Ltd.) ("**Zhongxing Guosheng**"), a wholly-owned subsidiary of the Company, initiated civil proceedings against Zhongqing in the People's Court of Bao'an District for, among other matters, the repayment of the shareholder's loan contributed by Zhongxing Guosheng in an amount of RMB23,479,330 ("**Litigation**"). On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve the assets of Zhongqing in a total value of RMB23,400,000, an order was granted by the People's Court of Bao'an District to freeze and preserve the two parcels of land owned by Zhongqing from 24 June 2014 to 23 June 2016 ("**Freeze Order**"). The Freeze Order aimed to ensure that Zhongqing would have sufficient assets to repay the shareholder's loan owing to the Group.

Two hearing sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 15 October 2014, the Group received a civil mediation document dated 30 September 2014 issued by the People's Court of Bao'an District, acknowledging that: (i) the Group and Zhongqing confirmed that Zhongqing was indebted to Zhongxing Guosheng in a sum of RMB23,479,330; (ii) Zhongqing agreed to repay to Zhongxing Guosheng the sum of RMB23,479,330, together with interests accrued from 18 June 2014 to the date of repayment, which should be within 15 days of the effective date of the civil mediation document; and (iii) if Zhongqing failed to repay the agreed amount, Zhongxing Guosheng would be entitled to request Zhongqing to pay default interests calculated at two times of the lending rate of the People's Bank of China over the same period. As advised by the Group's PRC legal advisers, the effective date of the civil mediation document was 15 October 2014 and thus, the deadline for repayment by Zhongqing was 30 October 2014. Zhongqing did not repay the outstanding shareholder's loan and accrued interest to Zhongqing Guosheng by 30 October 2014.

On 27 May 2016, Zhongxing Guosheng submitted an application to the People's Court of Bao'an District for the extension of the period covered by the Freeze Order. An extension of the period covered by the Freeze Order from 13 June 2016 to 12 June 2019 was granted by the People's Court of Bao' an District. On 15 May 2019, upon the application by Zhongqing Guosheng, the People's Court of Bao'an District further extended the period covered by the Freeze Order to 12 May 2022.

The management of the Group has assessed the following factors, including but not limited to: (i) the relevant costs and the land auction procedures in resolving the land freezing matter; (ii) the current development plan of Qingyuan City, the PRC; (iii) the demand and supply of the property market in Qingyuan City, the PRC; and (iv) the business objectives and resources allocation of various business segments of the Group. The management of the Group decided that no further action should be taken in respect of the Litigation at the moment, and the Group will closely monitor the negotiation progress with its business partner and will take further legal actions to protect the Group's interest when appropriate. At the same time, the Group will also seek for any disposal opportunity of the land parcels.

So far as is known to the Directors, save for the Litigation, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
VMS Securities Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Peak Vision Appraisals Limited	Independent professional valuer
RHL Appraisal Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included. Each of the above experts confirmed that as at the Latest Practicable Date:

(i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

11. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

(i) the sale and purchase agreement dated 16 March 2018 (''**Zen Vantage SPA**'') entered into among Chung Tai Printing Holdings Limited(中大印刷集團有限公司)(''**Chung Tai Printing Holdings**'') (a wholly-owned subsidiary of the Company) as vendor, Ritzy Success Enterprises Limited(華成企業有限公司)(''**Ritzy Success**'') as purchaser and Mr. Yuan Ji Zhong(元濟忠)(''**Mr. Yuan**'') as guarantor in respect of the sale and purchase of the entire issued share capital of Zen Vantage Limited and the entire sum owing by Zen Vantage Limited to Chung Tai Printing Holdings at an aggregate consideration of HK$153 million (subject to adjustments), details of which are set out in the announcement of the Company dated 16 March 2018 and the circular of the Company dated 25 June 2018;

(ii) the supplemental agreement to the Zen Vantage SPA dated 11 April 2018 entered into among Chung Tai Printing Holdings, Ritzy Success and Mr. Yuan, pursuant to which the payment date of the refundable deposit was changed, details of which are set out in the announcement of the Company dated 11 April 2018 and the circular of the Company dated 25 June 2018;

(iii) the earthwork construction contract dated 10 May 2018 entered into between 中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Company Limited) (a wholly-owned subsidiary of the Company) and 清遠市清城區第一建築工程公司 (unofficial English translation being Qingyuan City Qingcheng District Di Yi Construction Engineering Company Limited) in relation to certain grading and leveling work on a portion of the land owned by the Group and located in Qingcheng District, Qingyuan City, Guangdong Province, the PRC for a contract sum of RMB7,258,724, details of which are set out in the announcement of the Company dated 10 May 2018;

(iv) the sales contract dated 29 June 2018 entered into between 中星中大印刷(深圳)有限公司 (unofficial English translation being Neway Chung Tai Printing (Shenzhen) Co., Ltd.) ("**Neway Chung Tai (Shenzhen)**") (a wholly-owned subsidiary of the Company) as purchaser, and 浙江煒岡機械有限公司 (unofficial English translation being Zhejiang Weigang Machinery Co., Ltd.) as vendor in respect of the acquisition of one set of PS plate (six-colour) label printing machine and certain spare parts at a total contract price of RMB2,660,000, details of which are set out in the announcement of the Company dated 29 June 2018;

(v) the sales contract dated 6 July 2018 entered into between Neway Chung Tai (Shenzhen) as purchaser, and 海德堡印刷設備(北京)有限公司深圳分公司 (unofficial English translation being Heidelberg Graphics (Beijing) Company Limited Shenzhen Branch) as vendor in relation to the acquisition of a seven-colour offset press with coating system ("**Offset Press**") at a contract price of RMB13,450,000, details of which are set out in the announcement of the Company dated 6 July 2018;

(vi) the sales contract dated 6 July 2018 entered into between Neway Chung Tai (Shenzhen) as purchaser, and Heidelberg China Limited (海德堡中國有限公司)("**Heidelberg China**") as vendor in relation to the acquisition of an IST UV system for the Offset Press at a contract price of EUR277,700, details of which are set out in the announcement of the Company dated 6 July 2018;

(vii) the agreement dated 31 August 2018 entered into between Dream Class Limited ("**Dream Class**") and Kwong Da Enterprises Limited ("**Kwong Da**") pursuant to which the completion date of the disposal of the entire issued share capital of Star Rank Limited (a wholly-owned subsidiary of Dream Class) by Dream Class to Kwong Da ("**SPV Disposal**") pursuant to an exercise of the option granted to Dream Class by Kwong Da under a put option deed dated 27 February 2013 entered into between Dream Class and Kwong Da (as amended and supplemented by two supplemental deeds dated 26 February 2016 and 30 June 2017 respectively) was further extended from 31 May 2018 to a date to be agreed between the parties which should fall on or before 31 December 2018, details of which are set out in the announcement of the Company dated 31 August 2018;

(viii) the second supplemental agreement to the Zen Vantage SPA dated 31 December 2018 entered into among Chung Tai Printing Holdings, Ritzy Success and Mr. Yuan, pursuant to which the Agreed Reference Date and the Long Stop Date (both as defined under the Zen Vantage SPA and the announcement of the Company dated 16 March 2018) were amended, details of which are set out in the announcement of the Company dated 31 December 2018;

(ix) the sales contract dated 21 January 2019 entered into between Neway Chung Tai (Shenzhen) as purchaser and Heidelberg China as vendor in relation to the acquisition of a six-colour offset press with coating system at a contract price of EUR1,464,777, details of which are set out in the announcement of the Company dated 21 January 2019 and the circular of the Company dated 28 March 2019;

(x) the renovation framework contract dated 22 March 2019 entered into between Neway Chung Tai (Shenzhen) and 深圳市義新設計裝飾工程有限公司 as contractor in respect of the renovation works to be carried out in the production plant of the Group for its printing products which is located in Bao'an Village, Henggang Town, Longgang District, Shenzhen, the PRC at a total contract price of not more than RMB2.4 million, details of which are set out in the announcement of the Company dated 22 March 2019;

(xi) the confirmation deed dated 28 March 2019 entered into among Dream Class, Grand Prospects Finance International Limited ("**Grand Prospects**") (a wholly-owned subsidiary of the Company), Kwong Da, Kada Capital Investments Limited (匯金資本投資有限公司) ("**Kada**") and Mr. Lam Mau Tat ("**Mr. Lam**") pursuant to which the parties agreed on the Loan Arrangement (as defined below) and the completion arrangement of the SPV Disposal, details of which are set out in the announcement of the Company dated 28 March 2019 and the circular of the Company dated 26 July 2019;

(xii) the termination agreement dated 30 April 2019 entered into among Chung Tai Printing Holdings, Ritzy Success and Mr. Yuan in respect of the termination of the Zen Vantage SPA, details of which are disclosed in the announcement of the Company dated 30 April 2019;

(xiii) the loan agreement dated 13 August 2019 entered into among Grand Prospects as lender, Kada as borrower and Mr. Lam as guarantor, pursuant to which Grand Prospects agreed to grant to Kada a loan in the principal amount of RMB21,693,205, bearing interest at a rate of 10.5% per annum for a term of 24 months ("**Loan Arrangement**");

(xiv) the share charge dated 13 August 2019 executed by Kada as chargor in favour of Grand Prospects, pursuant to which Kada agreed to charge all the share(s) it owned in HK Yield Rich Limited, representing 100% of the issued share capital of HK Yield Rich Limited, to Grand Prospects as security for the performance of all of its repayment obligations under the Loan Arrangement;

(xv) the lease agreement dated 30 October 2019 entered into between 東莞市宏恒景實業投資有限公司 (unofficial English translation being Dongguan Honghengjing Real Estate Investment Company Limited) ("**Dongguan Honghengjing**") as landlord and 錦翰印刷(深圳)有限公司 (unofficial English translation being Kam Hon Printing (Shenzhen) Company Limited) ("**SZ Company**") (a wholly-owned subsidiary of the Company) as tenant in relation to the lease of the first floor and the second floor of block D1 of the factory building and 18 units of the dormitory building, all of which were situated at Guancheng Innovation Industrial Park, No. 99 Jinghai West Road, Chang'an Town, Dongguan City, the PRC ("**Premises**"), for a term of 3 years from 1 November 2019 to 31 October 2022 (both days inclusive) for use as factory and dormitory premises of the Group ("**Lease Agreement**"), details of which are set out in the announcement of the Company dated 30 October 2019;

(xvi) the supplemental lease agreement dated 30 October 2019 entered into between Dongguan Honghengjing and the SZ Company ("**Supplemental Lease Agreement**"), pursuant to which the parties agreed that, upon the establishment of a project company, a new lease agreement on substantially the same terms and conditions as those of the Lease Agreement should be signed between Dongguan Honghengjing and the project company, details of which are disclosed in the announcement of the Company dated 30 October 2019;

(xvii) the purchase contract dated 5 November 2019 entered into between the SZ Company as purchaser and 佛山市華禹彩印有限公司 (unofficial English translation being Foshan City Hua Yu Colour Printing Co., Ltd.) as vendor in relation to the acquisition of a set of second hand Heidelberg eight-colour printing machine and certain spare parts, including but not limited to LED and UV curing unit at a total contract price of RMB5,560,000, details of which are set out in the announcement of the Company dated 5 November 2019;

(xviii) the purchase contract dated 23 December 2019 entered into between the SZ Company as purchaser and 深圳市宇鋒印刷設備有限公司 (unofficial English translation being Shenzhen Yufeng Printing Equipment Co., Ltd.) as vendor in relation to the acquisition of a set of second hand Heidelberg ten-colour offset printing machine at a total contract price of RMB4,980,000, details of which are set out in the announcement of the Company dated 23 December 2019;

(xix) the termination agreement dated 8 January 2020 entered into between Dongguan Honghengjing and the SZ Company in respect of the termination of the Lease Agreement and the Supplemental Lease Agreement with effect from 8 January 2020, details of which are disclosed in the announcement of the Company dated 8 January 2020;

(xx) the Placing Agreement;

(xxi) the Underwriting Agreement;

(xxii) the Supplemental Placing Agreements; and

(xxiii) the Supplemental Underwriting Agreements.

12. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK$3.50 million.

13. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11, Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Cheung Yuk Shan
Authorised representative	Mr. Suek Ka Lun, Ernie Unit 801-2, 8/F East Ocean Centre 98 Granville Road Tsim Sha Tsui East Hong Kong

Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong Bank of Communications (Hong Kong) Limited 20 Pedder Street, Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu, *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Admiralty Hong Kong
Financial adviser to the Company	Merdeka Corporate Finance Limited Room 1108-1110 11/F, Wing On Centre 111 Connaught Road Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	LCH Lawyers LLP Room 702, 7/F Admiralty Centre Tower One 18 Harcourt Road Admiralty Hong Kong
Independent Financial Adviser to the Listing Rules IBC, Takeovers Code IBC and the Independent Shareholders	VMS Securities Limited 49/F One Exchange Square 8 Connaught Place Central Hong Kong
Placing Agent	Merdeka Securities Limited Room 1108-1110 11/F, Wing On Centre 111 Connaught Road Central Hong Kong

The Underwriter	Smithfield Ventures Limited *Registered address:* Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands *Correspondence address:* Unit 801-2, 8/F East Ocean Centre 98 Granville Road Tsim Sha Tsui East Hong Kong
Directors of the Underwriter	Mr. Lai Ming Kong Unit 801-2, 8/F East Ocean Centre 98 Granville Road Tsim Sha Tsui East Hong Kong Mr. Lau Kam Cheong Unit 801-2, 8/F East Ocean Centre 98 Granville Road Tsim Sha Tsui East Hong Kong
Ultimate controlling shareholder of the Underwriter	Preserve Capital Trust *(Note)* Chemin des Rapes 6, 1882 Gryon, Switzerland

Note: Fiducia Suisse SA is the trustee of the Preserve Capital Trust, which is wholly-owned by Mr. David Henry Christopher Hill and the beneficiaries of which include a family member of Mr. Suek and a charitable institution set up in Hong Kong.

14. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	**Address**
Executive Directors	
Mr. Suek Ka Lun, Ernie *(Chairman)*	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Suek Chai Hong *(Chief Executive Officer)*	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Non-executive Directors	
Dr. Ng Wai Kwan	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Chan Kwing Choi, Warren	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Wong Sun Fat	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong

Name	Address
Independent non-executive Directors	
Mr. Lee Kwok Wan	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Lai Sai Wo, Ricky	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Chu Gun Pui	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Alternate Director	
Mr. Lau Kam Cheong (Alternate Director to Dr. Ng Wai Kwan)	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Senior Management	
Ms. Ng Wai Chi	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong
Mr. Wan Kwok Leung, Nicholas	Chung Tai Printing Group Building 11 Yip Cheong Street On Lok Tsuen, Fanling New Territories Hong Kong

Executive Directors

Mr. Suek Ka Lun, Ernie, aged 41, was appointed as the chairman of the Board since August 2009. He has been an executive Director since July 2004 and the chief executive officer of the Company from November 2007 to 31 August 2009. He is also a director of a number of subsidiaries of the Company. Mr. Suek obtained an EMBA degree and a Master degree in marketing from The Chinese University of Hong Kong in 2008 and 2003 respectively. He had two years of experience in investment banking and subsequently moved to commercial sector and acted as a director of a private company for two years. Mr. Suek possesses sophisticated and professional management experience and is familiar with investment analysis. He is responsible for monitoring the Group's business development and searching for business opportunities in the PRC market and overseas.

Mr. Suek has not entered into any service contract with the Company and there is no designated length of service but his appointment is subject to retirement by rotation and re-election and other related provisions as stipulated in the bye-laws of the Company ("**Bye-laws**") and the Listing Rules. As at the Latest Practicable Date, Mr. Suek was entitled to receive a remuneration of HK$2,310,000 per annum.

Mr. Suek is the nephew of Mr. Suek Chai Hong, an executive Director and the chief executive officer of the Company, and Dr. Ng Wai Kwan, a non-executive Director. Mr. Suek, is a director of CNA, which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and Divisions 3 of Part XV of the SFO.

Mr. Suek Chai Hong, aged 58, was appointed as the chief executive officer of the Company since August 2009 and has been appointed as an executive Director since 1992. He is also a director of a number of subsidiaries of the Company. Mr. Suek Chai Hong obtained a Bachelor degree of Business Administration in Finance from York University, Canada. He has more than 30 years of experience in marketing and is responsible for running the Company's businesses and developing and implementing the Group's strategic plans and business goals.

Mr. Suek Chai Hong has not entered into any service contract with the Company and there is no designated length of service but his appointment is subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules. As at the Latest Practicable Date, Mr. Suek Chai Hong was entitled to receive a remuneration of HK$1,386,000 per annum.

Mr. Suek Chai Hong is the uncle of Mr. Suek, an executive Director and the chairman of the Company.

Non-executive Directors

Dr. Ng Wai Kwan, aged 70, was appointed as an non-executive Director in March 2007. Dr. Ng Wai Kwan holds an engineering doctorate degree from the University of Warwick in the United Kingdom. Dr. Ng Wai Kwan has over 40 years' experience in global supply chain management, logistics planning, innovation and executive and leadership development.

Pursuant to the letter of appointment entered into between Dr. Ng Wai Kwan and the Group, Dr. Ng Wai Kwan has been appointed for a term of three years commenced from 1 April 2019 until 31 March 2022 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Dr. Ng Wai Kwan was entitled to receive a remuneration of HK$120,000 per annum.

Dr. Ng Wai Kwan is the uncle of Mr. Suek, an executive Director and the chairman of the Board.

Mr. Chan Kwing Choi, Warren, aged 68, was appointed as an independent non-executive Director in February 2002 and was redesignated as a non-executive Director in November 2007. He is a director of a subsidiary of the Company. Mr. Chan Kwing Choi, Warren is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants (UK) and a fellow member of the Institute of the Chartered Accountants in England and Wales, the Institute of Chartered Secretaries & Administrators (UK), the Hong Kong Institutes of Chartered Secretaries and the Chartered Global Management Accountant.

Mr. Chan Kwing Choi, Warren has over 40 years of experience in financial management, corporate administration and corporate finance in several multinational corporations and listed public companies.

Pursuant to the letter of appointment entered into between Mr. Chan Kwing Choi, Warren and the Group, Mr. Chan Kwing Choi, Warren has been appointed for a term of three years commenced from 1 April 2019 until 31 March 2022 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Mr. Chan Kwing Choi, Warren was entitled to receive a remuneration of HK$170,000 per annum.

Mr. Wong Sun Fat, aged 64, was appointed as an independent non-executive Director from December 1994 to August 2009 and re-designated as a non-executive Director in August 2009. He is currently a member of the audit committee and the remuneration committee of the Board. Mr. Wong Sun Fat holds a Bachelor degree of Arts from The University of Hong Kong and has over 35 years of experience in electronic products business and vast experience in manufacturing operations.

Pursuant to the letter of appointment entered into between Mr. Wong Sun Fat and the Group, Mr. Wong Sun Fat has been appointed for a term of three years commenced from 1 April 2019 until 31 March 2022 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Mr. Wong Sun Fat was entitled to receive a remuneration of HK$120,000 per annum.

Independent non-executive Directors

Mr. Lee Kwok Wan, aged 52, was appointed as an independent non-executive Director in April 2013. He is currently the chairman of the audit committee and the remuneration committee of the Board. Mr. Lee Kwok Wan holds a MBA degree in Business Administration and a Bachelor degree in Commerce and Accountancy and is an associate member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Lee Kwok Wan has more than 25 years of accounting and management experience. He is the chief financial officer of a sizable company in Hong Kong engaging in the manufacturing of watches. He was once appointed as the company secretary of the Company from March 2007 to May 2008.

Pursuant to the letter of appointment entered into between Mr. Lee Kwok Wan and the Group, Mr. Lee Kwok Wan has been appointed for a term of three years commenced from 5 April 2019 until 4 April 2022 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Mr. Lee Kwok Wan was entitled to receive a remuneration of HK$120,000 per annum.

Mr. Lai Sai Wo, Ricky, aged 46, was appointed as an independent non-executive Director in April 2017. He is currently a member of the audit committee and the remuneration committee of the Board. He holds a Master degree of Corporate Governance from The Hong Kong Polytechnic University and a Bachelor degree of Arts (Honours) in Accountancy from the City University of Hong Kong. Mr. Lai Sai Wo, Ricky is a practising accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountant and an associate member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Mr. Lai Sai Wo, Ricky has more than 20 years of accounting and management experience. He is currently the financial controller and the company secretary of Jolimark Holdings Limited (Stock Code: 2028), whose shares are listed on the Main Board of the Stock Exchange. Mr. Lai Sai Wo, Ricky was once appointed as the company secretary of the Company from August 2006 to March 2007.

Pursuant to the letter of appointment dated 19 April 2017 made between Mr. Lai Sai Wo, Ricky and the Company, Mr. Lai Sai Wo, Ricky has been appointed for a term of three years commenced from 19 April 2017 to 18 April 2020 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Mr. Lai Sai Wo, Ricky was entitled to receive a remuneration of HK$120,000 per annum.

Mr. Chu Gun Pui, aged 40, was appointed as an independent non-executive Director in June 2017. Mr. Chu Gun Pui holds a Bachelor degree of Commerce majoring in marketing and a Bachelor degree of Science majoring in computer science from The University of Auckland. Mr. Chu Gun Pui has over 15 years of experience in sales and marketing field in entertainment industry.

Pursuant to the letter of appointment entered into between Mr. Chu Gun Pui and the Group, Mr. Chu Gun Pui has been appointed for a term of three years commenced from 23 June 2017 until 22 June 2020 subject to retirement by rotation and re-election and other related provisions as stipulated in the Bye-laws and the Listing Rules and the terms and conditions of his letter of appointment. As at the Latest Practicable Date, Mr. Chu Gun Pui was entitled to receive a remuneration of HK$120,000 per annum.

Alternate Director

Mr. Lau Kam Cheong, aged 57, was appointed as the alternate Director to Dr. Ng Wai Kwan, a non-executive Director, in July 2008. He is a manager of Delight Source Limited. Mr. Lau Kam Cheong joined the Group in 2001. He holds a Master degree in Business Administration and a Master degree in Professional Accounting from The Open University of Hong Kong. He is a member of the Chartered Institute of Marketing in the United Kingdom and has over 30 years of experience in management, sales and marketing.

Senior Management

Ms. Ng Wai Chi, aged 60, has over 35 years of experience in label and silkscreen printing. She joined the Group in 1992 and is currently the vice president of Chung Tai Printing Company Limited and Chung Tai Printing (International) Company Limited. Ms. Ng Wai Chi holds a Master of Science degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and the University of Warwick, United Kingdom. She is responsible for corporate social responsibility and quality management of the Group and is currently a committee member of Green Council Certification Scheme (GCCS) of Green Council.

Mr. Wan Kwok Leung, Nicholas, aged 40, is a director of various companies under the Music and Entertainment Business of the Group. He joined the Group in 2009. He was the human resources manager of Neway Karaoke Box Limited for the period from 2001 to 2007 before being appointed as an executive director thereof. Mr. Wan Kwok Leung, Nicholas has over 15 years of experience in the related fields of management and holds a Bachelor degree in human resources management from the Hong Kong Baptist University and a Master of Science degree of management from The Hong Kong Polytechnic University.

15. GENERAL

(i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

(ii) The company secretary of the Company is Ms. Cheung Yuk Shan, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(iii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(iv) The principal place of business of the Company in Hong Kong is at Chung Tai Printing Group Building, 11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

(v) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(vi) As at the Latest Practicable Date, save for the foreign exchange control in the PRC and payment of the relevant tax incidental to the remittance of profit or repatriation of capital, to the best knowledge of the Directors, there was no other restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside of Hong Kong.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Hong Kong at Chung Tai Printing Group Building, 11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong during normal business hours (except Saturdays and public holidays) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.; (ii) on the websites of the Company (www.newaygroup.com.hk); and (iii) the SFC (www.sfc.hk) in the period from the date of this circular up to and including the date of the SGM.

(i) the memorandum of association and the Bye-laws;

(ii) the letter from the Board, the text of which is set out on pages 15 to 52 of this circular;

(iii) the letter from the Listing Rules IBC, the text of which is set out on pages 53 to 54 of this circular;

(iv) the letter from the Takeovers Code IBC, the text of which is set out on pages 55 to 56 of this circular;

(v) the letter from VMS Securities, the text of which is set out on pages 57 to 106 of this circular;

(vi) the annual reports of the Company for each of the years ended 31 December 2017 and 2018 and the final results announcement of the Company for the year ended 31 December 2019;

(vii) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(viii) the property valuation report prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix III to this circular;

(ix) the property valuation report prepared by RHL Appraisal Limited, the text of which is set out in Appendix IV to this circular;

(x) the written consents referred to in the paragraph headed ''EXPERTS AND CONSENTS'' in this appendix;

(xi) the material contracts referred to in the paragraph headed ''MATERIAL CONTRACTS'' in this appendix;

(xii) the Placing Agreement;

(xiii) the Underwriting Agreement;

(xiv) the Supplemental Placing Agreements;

(xv) the Supplemental Underwriting Agreements;

(xvi) the Irrevocable Undertakings; and

(xvii) this circular.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of Neway Group Holdings Limited ("**Company**") will be held at 11:30 a.m. on Monday, 4 May 2020 at 5/F, Chung Tai Printing Group Building, 11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong to consider and, if thought fit, pass the following resolutions of the Company (unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 9 April 2020 ("**Circular**")):

ORDINARY RESOLUTION

1. "**THAT** subject to the passing of the resolution numbered 2 below and the satisfaction of the conditions of the Rights Issue (as defined below) as set out in items (2) to (8) on page 31 of the Circular:

   (a) the Underwriting Agreement dated 10 January 2020 (as amended and supplemented by the supplemental agreement dated 31 January 2020 and the second supplemental agreement dated 7 April 2020) ("**Underwriting Agreement**") signed between the Company and Smithfield Ventures Limited ("**Underwriter**") (a copy of the Underwriting Agreement marked "A" has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;

* *For identification purpose only*

(b) the issue by way of rights issue ("**Rights Issue**") of 507,278,912 new ordinary shares of the Company ("**Rights Shares**" and each a "**Right Share**"), on the basis of two (2) Rights Shares for every one (1) existing ordinary share of the Company held on Thursday, 14 May 2020 (or such other date as may be agreed between the Company and the Underwriter for determining entitlements of shareholders of the Company ("**Shareholders**") to participate in the Rights Issue) ("**Record Date**"), at a subscription price of HK$0.20 per Rights Share ("**Subscription Price**") to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, save for overseas Shareholders to whom the directors of the Company ("**Directors**"), based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares ("**Non-Qualifying Shareholders**") on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), and substantially on the terms and conditions set out in the Circular (a copy of the Circular marked "B" has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

(c) the placing agreement dated 10 January 2020 (as amended and supplemented by the supplemental agreement dated 31 January 2020 and the second supplemental agreement dated 7 April 2020) ("**Placing Agreement**") entered into between the Company and Merdeka Securities Limited in relation to the placing of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) at the placing price of not less than the Subscription Price on a best effort basis (a copy of the Placing Agreement marked "C" has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(d) the board of Directors ("**Board**") or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of Non-Qualifying Shareholders, the Rights Shares shall not be allotted and issued to the Non-Qualifying Shareholders but shall be dealt with in accordance with the terms set out on page 20 of the Circular;

(e) the Board or a committee thereof be and is hereby authorised to make such other exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and generally to do such things or make such arrangements as it may think fit to effect the Rights Issue; and

(f) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement, the Placing Agreement, and any transactions contemplated thereunder."

SPECIAL RESOLUTION

2. "**THAT**:

(a) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Code of Takeovers and Mergers ("**Takeovers Code**") waiving any obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer to the Shareholders in respect of the shares of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which would arise under Rule 26 of the Takeovers Code as a result of the fulfillment of the underwriting obligations by the Underwriter pursuant to the Underwriting Agreement ("**Whitewash Waiver**") be and is hereby approved; and

(b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Whitewash Waiver and the transactions contemplated thereunder."

On behalf of the Board
Neway Group Holdings Limited
Suek Ka Lun, Ernie
Chairman

Hong Kong, 9 April 2020

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Chung Tai Printing Group Building
11 Yip Cheong Street
On Lok Tsuen, Fanling
New Territories
Hong Kong

Notes:

(1) The Board has made reference to the "Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation" jointly issued by The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong on 1 April 2020 in relation to the arrangement of the Meeting. The Company will implement certain preventive measures at the Meeting, the details of which are set out in the section headed "Precautionary Measures for the SGM" in the Circular, to safeguard the health and safety of the attending Shareholders, staff and other stakeholders.

(2) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy needs not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.

(3) The Company does not in any way wish to diminish the opportunity available to the members of the Company to exercise their rights and to vote, but is conscious of the pressing need to protect the members from possible exposure to the coronavirus pandemic. For the health and safety of the members, the Company would like to encourage members to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending the Meeting in person. **Physical attendance is not necessary for the purpose of exercising shareholders' rights.**

(4) The proxy form shall be signed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In order to be valid, the proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 11:30 a.m. on Saturday, 2 May 2020 or no later than 48 hours before the time appointed for holding the adjourned meeting, as the case may be.

(5) Completion and return of the proxy form will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof should he/she/it so wish and in such event the proxy form previously submitted shall be deemed to be revoked.

(6) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

(7) For determining the identity of the shareholders of the Company entitled to attend and vote at the Meeting, the register of members of the Company will be closed for registration of transfers of shares of the Company from Friday, 24 April 2020 to Monday, 4 May 2020, both dates inclusive. In order to be entitled to attend and vote at the Meeting, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 April 2020.

(8) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises Mr. Suek Ka Lun, Ernie (Chairman) and Mr. Suek Chai Hong (Chief Executive Officer) being the executive Directors; Dr. Ng Wai Kwan, Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat being the non-executive Directors; Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.