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

If you have sold or transferred all your shares in C Cheng Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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C CHENG HOLDINGS LIMITED

思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF 60% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY, AND THE PROVISION OF THE PURCHASER SHAREHOLDER'S LOAN AND THE PURCHASER FURTHER SHAREHOLDER'S LOAN TO THE TARGET COMPANY AND NOTICE OF EGM

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



Innovax Capital Limited

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

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 48 of this circular.

A notice convening the EGM of the Company to be held at 6th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 28 October 2020 at 10:00 a.m., is set out on pages 56 to 58 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for precautionary measures being taken to prevent and control the spread of the novel coronavirus at the EGM, including:

- compulsory body temperature checks and health declarations
- compulsory wearing of surgical face masks (please bring your own mask)
- no refreshment will be served
- no souvenirs will be distributed
- checks on travel history and quarantine restrictions of attendees

Any person who does not comply with the above precautionary measures may be denied entry into the EGM venue. The Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

9 October 2020

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times, and to maintain a safe distance between seats (please bring your own mask);
- (iii) no refreshment will be served at the EGM;
- (iv) no souvenirs will be distributed at the EGM; and
- (v) each attendee may be asked whether (a) he/she travelled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

Any person who does not comply with above requirements may be denied entry into the EGM venue or be required to leave the EGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of other attendees at the EGM. In our case, denied entry to the EGM venue also means that person will not be allowed to attend the EGM.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at www.cchengholdings.com or the Stock Exchange at www.hkexnews.hk. If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If you have any questions relating to the EGM, please contact the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, via the following:

Address	:	Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Email	:	info@unionregistrars.com.hk
Telephone	:	+852 2849 3399
Fax	:	+852 2849 3319

DEFINITIONS

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

“Acquisition”	the acquisition of 6,000 Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday and any day on which a tropical cyclone warning no.8 signal 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 signal 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 generally open for business
“close associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Company”	C Cheng Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1486)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the third Business Day following the day on which all the Conditions are satisfied in full or waived by the Purchaser (as the case may be) in accordance with the terms of the Sale and Purchase Agreement or such other date as the parties may agree being the date on which Completion shall be taken place

DEFINITIONS

“Condition(s)”	the conditions precedent to Completion pursuant to the Sale and Purchase Agreement, a summary of which is set forth under the paragraph headed “Conditions” in this circular
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration of HK\$6,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“Deed of Indemnity”	the separate deed of indemnity to be executed by the Vendor upon Completion in favour of the Purchaser and the Target Company
“Deed of Non-competition”	the separate deed of non-competition undertakings to be executed by the Vendor upon Completion in favour of the Purchaser and the Target Company regarding certain non-competition undertakings
“EGM”	the extraordinary general meeting of the Company to be held at 6th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 28 October 2020 at 10:00 a.m. for the Independent Shareholders to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages 56 to 58 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Investment and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolution approving the Investment and the transactions contemplated thereunder
“Investment”	the Acquisition, and the provision of the Purchaser Shareholder’s Loan and the Purchaser Further Shareholder’s Loan to the Target Company
“Latest Practicable Date”	5 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2020, or such later date as all parties may agree in writing
“Mr. Liang Ronald”	Mr. Liang Ronald (梁鵬程), the chairman of the Board, an executive Director and a substantial Shareholder
“PRC”	the People’s Republic of China
“Purchaser”	Bertrand Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Purchaser Further Shareholder’s Loan”	is defined under the paragraph headed “Shareholders’ Agreement” in this circular

DEFINITIONS

“Purchaser Shareholder’s Loan”	is defined under the paragraph headed “Shareholders’ Agreement” in this circular
“Sale and Purchase Agreement”	the sale and purchase agreement for the Acquisition entered into between the Vendor and Purchaser dated 16 September 2020
“Sale Shares”	6,000 shares representing 60% of the issued share capital of the Target Company as at the Completion Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Vendor, and the Purchaser and the Target Company upon Completion
“Special Consent”	pursuant to the Shareholders’ Agreement, a written consent addressed to the board of the Target Company given by all the shareholders of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mettle Capital Limited (邁達投資管理有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries, if any, from time to time, and a “Target Group Company” means any one of them
“Vendor”	Mr. Liang Nathan Wei (梁偉), the son of Mr. Liang Ronald
“%”	per cent

LETTER FROM THE BOARD



C CHENG HOLDINGS LIMITED 思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

Executive Directors:

Mr. Liang Ronald (*Chairman*)
Mr. Liu Gui Sheng (*Co-Chairman*)
Mr. Fu Chin Shing (*Chief Executive Officer*)
Mr. Wang Jun You
Mr. Liu Yong
Mr. Ma Kwai Lam Lambert

Independent non-executive Directors:

Mr. Yu Chi Hang
Mr. Lo Wai Hung
Ms. Su Ling

Registered Office:

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

*Principal Place of Business
in Hong Kong:*

15th Floor, North Tower,
World Finance Centre,
Harbour City,
Tsim Sha Tsui,
Kowloon, Hong Kong

9 October 2020

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF 60% OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY, AND THE PROVISION OF THE PURCHASER
SHAREHOLDER'S LOAN AND THE PURCHASER FURTHER
SHAREHOLDER'S LOAN TO THE TARGET COMPANY
AND
NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 September 2020 in relation to the Investment.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Investment; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Investment; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders; and (iii) the notice of the EGM.

2. THE ACQUISITION

On 16 September 2020 (after trading hours), the Sale and Purchase Agreement was entered into between the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 6,000 Sale Shares free from all encumbrances together with all rights now and hereafter attaching thereto for the Consideration of HK\$6,000.

3. THE PROVISION OF THE PURCHASER SHAREHOLDER'S LOAN AND THE PURCHASER FURTHER SHAREHOLDER'S LOAN TO THE TARGET COMPANY

Upon Completion, the Purchaser would enter into the Shareholders' Agreement with the Vendor and the Target Company, pursuant to which, among others, (i) within three Business Days from the date of the Shareholders' Agreement, the Purchaser shall provide an initial funding to the Target Company for the business of the Target Group by way of shareholder's loan in the sum of HK\$7,200,000 (being the Purchaser Shareholder's Loan) for working capital and investment purposes, and the Purchaser Shareholder's Loan will then be capitalised by the Target Company; and (ii) on or before 31 December 2021, the Purchaser shall provide a further funding to the Target Company for the business of the Target Group by way of shareholder's loan up to an aggregate sum of HK\$15,000,000 for working capital and investment purposes (being the Purchaser Further Shareholder's Loan).

4. SALE AND PURCHASE AGREEMENT

Date

16 September 2020

Parties

1. Mr. Liang Nathan Wei (as the Vendor); and
2. Bertrand Investments Limited (as the Purchaser).

LETTER FROM THE BOARD

The Vendor, namely Mr. Liang Nathan Wei, is the son of Mr. Liang Ronald (the chairman of the Board, an executive Director and a substantial Shareholder), and is therefore a connected person of the Company at the issuer level.

The Purchaser, namely Bertrand Investments Limited, is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

Acquisition

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 6,000 Sale Shares free from all encumbrances together with all rights now and hereafter attaching thereto for a consideration of HK\$6,000.

Consideration

The Consideration to be paid by the Purchaser for the Acquisition of the 6,000 Sale Shares is HK\$6,000, which shall be payable by cashier order(s) issued by a licensed bank in Hong Kong, or cheque(s) drawn on a licensed bank in Hong Kong upon Completion.

The Consideration shall be free from any set-off, counterclaim or other deduction of any nature whatsoever.

Basic of Consideration

The Consideration for the Acquisition of 6,000 Sale Shares from the Vendor was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account, among others, the net asset value of the Target Company.

On the basis of the above factors, the Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Consideration is to be funded by the Group's internal resources.

LETTER FROM THE BOARD

Conditions

Completion is subject to the satisfactory fulfillment and/or waiver of the following Conditions:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence;
- (b) all necessary approvals by the government and regulatory authorities (including but not limited to the Stock Exchange), corporate approvals and consents for the transactions contemplated under the Sale and Purchase Agreement being obtained;
- (c) save and except the current accounts that the Target Company is indebted to the Vendor in the aggregate sum of HK\$3,700,000, which shall remain interest-free after Completion, all current accounts and loans connected to the existing shareholders and their associates, directors and their associates and related parties of the Target Company having been fully settled;
- (d) in relation to the transactions contemplated in the Sale and Purchase Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules) having been complied with and satisfied;
- (e) all representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement having remained true and accurate in all material respects;
- (f) there not having been, at any time before the Completion Date:
 - (I) any adverse change or any prospective adverse change in the conditions (financial, business, operations, prospects or otherwise) of the Target Company which is material in the context of the transaction contemplated in the Sale and Purchase Agreement;
 - (II) the occurrence of any event or the existence of any circumstance which would render any of the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement untrue or inaccurate in any material respect; and
 - (III) the occurrence of any breach of the terms of the Sale and Purchase Agreement or any undertakings given by the Target Company or the Vendor as set out in the Sale and Purchase Agreement.

LETTER FROM THE BOARD

The Purchaser may at any time waive in writing any Conditions (other than Conditions (b) and (d) above) and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. Conditions (b) and (d) above are not capable of being waived by the Purchaser.

If the Conditions have not been fulfilled or waived by the Purchaser (as the case may be) at or before 12:00 noon on the Long Stop Date (or such later date as all parties may agree in writing), the Sale and Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties and continued application of certain clauses.

Completion

Completion shall take place on the Completion Date at which no later than Long Stop Date; or such other day as all parties may agree in writing.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and as to 40% by the Vendor respectively. Therefore, the Company will, through its direct wholly-owned subsidiary, the Purchaser, be interested in 60% of the entire equity interest of the Target Company. The Target Company will also become an indirect non-wholly owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group.

5. SHAREHOLDERS' AGREEMENT

Upon Completion, the Purchaser will enter into the Shareholders' Agreement with the Vendor and the Target Company.

The following table summarises the principal rights of the Purchaser in respect of the Target Company pursuant to the Shareholders' Agreement, among others:

Board composition	:	The maximum number of directors of the Target Company shall be three (3) and the Purchaser shall have the right to appoint and remove two (2) directors and appoint the chairman of the board; and the Vendor shall have the right to appoint and remove one (1) director.
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LETTER FROM THE BOARD

Activities required Special Consent : The Target Company must not take any of the following acts without a Special Consent:

1. any material change in the nature or scope of the business, including (i) discontinuance of any major operation of the business; and (ii) introduction of any field of activity that is not ancillary to the business or relocation or expansion of the business each involving substantial capital expenses other than pursuant to the business plan approved by the board;
2. any amendment to the memorandum or the articles of association or the equivalent constitutional documents;
3. any appointment, termination, removal or any change in the auditors;
4. any change to the share capital (other than pursuant to and in compliance with the terms and conditions of the Shareholders' Agreement);
5. the grant, issue or allotment of any shares or other share capital or securities of whatever nature including any securities convertible into any share capital of a Target Group Company, or the creation or grant of any option or right to subscribe or acquire, or convert any security into, any share capital of a Target Group Company;
6. the transfer of any shares or other securities of a Target Group Company otherwise than in accordance with the Shareholders' Agreement;
7. any resolution to liquidate or wind up or the filing of a petition for winding up of a Target Group Company, or to make any arrangement with creditors generally or any application for an administration order or for the appointment of a receiver or administrator;

LETTER FROM THE BOARD

8. the formation of any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture or profit sharing arrangement;
9. the appointment or removal of any directors of any Target Group Company other than in accordance with the Shareholders' Agreement;
10. initiate any litigation or arbitration of a material nature or involving more than HK\$3,000,000;
11. enter into or vary any transaction or arrangement with, or for the benefit of (i) any of its directors or shareholders of any Target Group Company; or (ii) any other person who is a "related party" of the Target Group within the meaning of Hong Kong Accounting Standard 24; or (iii) any shareholder of any shareholder of the Target Company (provided that the aforesaid restriction shall not apply to any transaction or arrangement between a holding company and its wholly-owned subsidiary or between two wholly-owned subsidiaries of a holding company who are Target Group Companies), save with respect to employment contracts of directors or chief executive officers of any Target Group Company on normal commercial terms and negotiated on an arm's length basis;
12. the acquisition or disposal of any business or asset (including any securities, futures contracts, bonds and derivatives, either listed or unlisted) which will trigger any of the compliance obligation of the Company under the Listing Rules and the SFO;
13. introduction of any field of activity that is a regulated activity under the SFO; or
14. any agreement or proposal or resolution to do any of the matters set out in paragraphs 1 to 13 above.

LETTER FROM THE BOARD

- Non-alienation : Each of the shareholders of the Target Company shall not (except with the prior Special Consent) (1) pledge, mortgage, charge or otherwise encumber any of his/her/its shares or any interest in his/her/its shares; (2) grant an option over any of his/her/its shares or any interest in any of his/her/its shares; (3) enter into any agreement in respect of any votes attached to any of his/her/its shares; (4) regarding the Purchaser, cease to be the subsidiary of the Company; or (5) regarding the shareholders of the Target Company other than the Purchaser, change the ultimate holding entity of the relevant shareholder.
- New shareholders : All the new shareholder(s) of the Target Company shall execute a deed of adherence such that they will be bounded by the Shareholders' Agreement.
- Financing and funding : The Vendor confirms that the Target Company is indebted to him in the aggregate sum of HK\$3,700,000 as at the Latest Practicable Date (the "**Vendor Shareholder's Loan**").

Within three Business Days from the date of the Shareholders' Agreement: (i) the Vendor shall provide a further funding to the Target Company for the business of the Target Group by way of shareholder's loan in such amount (i.e. HK\$1,100,000) so that the total sum of the Vendor Shareholder's Loan shall be at HK\$4,800,000; and (ii) the Purchaser shall provide an initial funding to the Target Company for the business of the Target Group by way of shareholder's loan in the sum of HK\$7,200,000 (the "**Purchaser Shareholder's Loan**"), both for working capital and investment purposes.

LETTER FROM THE BOARD

Immediately after the due provision of the Vendor Shareholder's Loan at HK\$4,800,000 and the Purchaser Shareholder's Loan at HK\$7,200,000, both the Vendor Shareholder's Loan at HK\$4,800,000 and the Purchaser Shareholder's Loan at HK\$7,200,000 shall then be capitalised by the Target Company and the Target Company shall allot and issue, 4,000 new shares and 6,000 new shares to the Vendor and the Purchaser respectively, all of which shall be issued and allotted as fully paid up or credited as fully paid up (the "**Loan Capitalisation**").

Upon the completion of the Loan Capitalisation, the Target Company will be owned as to 12,000 shares (60%) by the Purchaser and as to 8,000 shares (40%) by the Vendor respectively.

On or before 31 December 2021, the Purchaser shall provide a further funding to the Target Company for the business of the Target Group by way of shareholder's loan up to an aggregate sum of HK\$15,000,000 for working capital and investment purposes (the "**Purchaser Further Shareholder's Loan**"). The Purchaser Further Shareholder's Loan can be withdrawn either by lump sum or by parts, and is unsecured, repayable within three (3) years and at the interest rate of 4.75% per annum on simple basis.

The Target Company shall repay the principal and the interests of the Purchaser Further Shareholder's Loan in one lump sum upon maturity. The Target Company shall also be entitled to early repay the Purchaser Further Shareholder's Loan before maturity without compensation to the Purchaser.

The Purchaser Shareholder's Loan and the Purchaser Further Shareholder's Loan are to be funded by the Group's internal resources.

LETTER FROM THE BOARD

6. DEED OF INDEMNITY

Pursuant to the Sale and Purchase Agreement, upon Completion, the Vendor shall separately enter into a Deed of Indemnity in favour of the Purchaser and the Target Company regarding certain indemnities in relation to, among others, tax, liabilities and other unrecorded in the latest audited accounts and management accounts of the Target Group prior to Completion, non-compliance matters, litigations and potential litigations prior to Completion.

7. DEED OF NON-COMPETITION

Pursuant to the Sale and Purchase Agreement, upon Completion, the Vendor shall separately enter into a Deed of Non-competition under which the Vendor undertakes to the Purchaser and the Target Company (for themselves and for the benefit of each of the Target Group Companies) that the Vendor shall not and shall procure that neither the Vendor nor his close associates and/or companies controlled by him will on his own account or with each other or in conjunction with or on behalf of any person, firm or company, directly or indirectly:

- (a) carry on or be engaged in, concerned with or interested in, whether as a shareholder (other than being a director or a shareholder of the Target Group Companies or their associated companies), director, employee, partner, agent or otherwise in any business that competes or may compete, directly or indirectly or through nominee, joint venture, alliance, cooperation, partnership or otherwise with the business of the Target Group from time to time (the “**Restricted Activity**”) in territories in which any Target Group Company carries on or is engaged or invests in the Restricted Activity from time to time (the “**Restricted Territories**”), nor provide support in any form to persons other than the Target Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that the Target Group is currently and from time to time carrying on in the Restricted Territories unless the prior written consents of the Purchaser and the Target Company have been obtained;
- (b) solicit or procure any of the suppliers and/or the customers of the Target Group from time to time to terminate their business relationships or otherwise reduce the amount of business with the Target Group;
- (c) solicit or procure any of the directors, senior management or other employees of the Target Group from time to time to resign or otherwise cease providing services to the Target Group;

LETTER FROM THE BOARD

- (d) take any action that may be harmful to the reputation of any Target Group Company or which may lead any person to reduce their level of business with any Target Group Company; and
- (e) make use of any confidential information pertaining to the business of the Target Group which may have come to his knowledge in his capacity as a shareholder of the Target Company or director of any Target Group Company for the purpose of competing with the business of the Target Group.

In the event that the Vendor or any of his close associates (other than the Target Group) are given any new business opportunities that is or may involve direct or indirect competition with the businesses of the Target Group (the “**Business Opportunity**”), the Vendor shall, and is obliged to use his best endeavours to procure his respective close associates (other than the Target Group) to, refer the Business Opportunity to the Target Group in writing and provide to the Target Company all information which is reasonably necessary for the Target Company to consider whether or not to engage in such Business Opportunity and shall assist the Target Group to obtain such Business Opportunity in the terms no less favourable than those offered to the Vendor or his close associates.

In addition, the Vendor undertakes with the Purchaser and the Target Company that none of the Vendor and his respective close associates shall pursue the Restricted Activity and/or the Business Opportunity until the Target Company decides not to pursue the Restricted Business and/or the Business Opportunity because of commercial reasons and provides such decision in writing to the Vendor.

The Vendor undertakes to the Purchaser and the Target Company that he shall, during the term of the Deed of Non-competition, indemnify and keep indemnified the Purchaser, the Target Company and the Target Group against any loss suffered by the Purchaser and the Target Company or the Target Group (as relevant) arising out of or in connection with any breach of any of his undertakings and/or obligations under the Deed of Non-competition.

8. INFORMATION OF THE GROUP AND THE TARGET COMPANY

The Group is principally a comprehensive architectural and Building Information Modelling (BIM) service provider in Hong Kong and the PRC.

LETTER FROM THE BOARD

The Target Company is a company incorporated in Hong Kong on 18 October 2017 with limited liability. The scope of business of the Target Company is proprietary securities trading and investment.

As at the Latest Practicable Date, the Target Company has in total HK\$10,000 issued share capital divided into 10,000 ordinary shares, and is entirely held by the Vendor. Upon the Completion, the shareholding structure of the Target Company will become:

	No. of Shares	Percentage Shareholding
The Purchaser	6,000	60%
The Vendor	4,000	40%
Total:	<u>10,000</u>	<u>100%</u>

Upon the completion of the Loan Capitalisation, the shareholding structure of the Target Company will become:

	No. of Shares	Percentage Shareholding
The Purchaser	12,000	60%
The Vendor	8,000	40%
Total:	<u>20,000</u>	<u>100%</u>

As at the Latest Practicable Date, the Target Company has no subsidiary.

Financial information of the Target Company

Set out below is the summary of the key financial information of the Target Company for the financial periods from 18 October 2017 to 31 December 2018 and from 1 January 2019 to 31 December 2019:

	For the period from 18 October 2017 to 31 December 2018 HK\$	For the year from 1 January 2019 to 31 December 2019 HK\$
Realised and unrealised (loss)/gain on investment	(329,994)	430,736
Dividend income	18,054	189,600
Net (loss)/profit before tax	(503,637)	253,326
Net (loss)/profit after tax	(503,637)	253,326

The Target Company has commenced business since August 2018.

LETTER FROM THE BOARD

The audited liabilities of the Target Company as at 31 December 2019 was approximately HK\$240,311.

9. REASONS FOR AND BENEFITS OF THE INVESTMENT

From time to time, the Group has idle funds and seeking ways for investment giving reasonable returns. Reference can be made to the announcements of the Company dated 21 July 2017 and 15 September 2017. As at 30 June 2020, the Group has approximately HK\$106,000,000 cash and bank balances, net of bank borrowing.

Although the Target Company has only commenced business since August 2018, according to its audited report for the year ended 31 December 2019, with the current investments amounted to approximately HK\$5,100,000, the realised and unrealised gain on current investments and dividend income amounted to approximately HK\$431,000 and HK\$190,000, respectively. As such, the Directors are of the view that despite the Target Company is in its infancy, it has demonstrated a progressive and promising performance.

In the Investment, the Loan Capitalisation will result in an additional capital of HK\$8,300,000 (i.e. HK\$1,100,000 + HK\$7,200,000) to be injected in the Target Company for working capital and investment purposes which allows the current investments of the Target Company to be scaled up and/or new investments to be made. Besides, the Purchaser Further Shareholder's Loan up to HK\$15,000,000 will serve as an immediately available fund pool and give flexibility to the board of the Target Company for them to catch any investment opportunities in future taking into account the rate of return of the then current investments. Serving as an additional return for the Group's extra capital contribution to the Target Company, the Group will enjoy an interest which is slightly higher than the interest rate for one-year time deposit as offered by the licensed banks if any of the Purchaser Further Shareholder's Loan is drawn down by the Target Company.

The Vendor, having been managing the Target Company since its commencement of business, will be appointed as the managing director of the Target Group. Prior to the establishment of the Target Company, the Vendor had been working in Goldman Sachs in Hong Kong and Singapore for almost 11 years and his last position was an executive director in prime brokerage client services in Goldman Sachs in Hong Kong. Starting in Operations on servicing hedge funds across equities and/or derivatives and then moving to the front office to manage hedge fund relationships and their day to day pre-or post-execution needs, the Vendor has extensive knowledge of the Asia markets in addition to an understanding of Europe, Middle East and Africa (EMEA) markets and the Americas. He obtained a Bachelor Degree of Science in Business Administration and Management from Boston University School of Management in 2006 (now known as Questrom

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School of Business). During his time in the front office at Goldman Sachs, he possessed the licenses to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO.

The Directors consider that by leveraging on the profession and the experience of the Vendor in the financial market, proprietary securities trading and investment and combining with the established internal control and stringent regulatory supervision of the Group, the Target Group will be able to serve as an investment platform of the Group with the added benefit of a treasury function which is comparable to the structure of established investment banks in the market.

Further, by taking a controlling interest in the Target Company, the Group can take this opportunity to branch into the financial industry and gain exposure to the sector of securities trading and investment which is believed to have growth potential. In the long term, the Group would be able to fulfil its strategic goal of integration of comprehensive architectural and BIM services into a financial platform so as to enhance and gear up the value of the Group's professional services.

Taking into account the above factors, including the fact that the interest rate of the Purchaser Further Shareholder's Loan is slightly higher than the interest rate for one-year time deposit as offered by the licensed banks, the Board approved (with Mr. Liang Ronald abstained from voting on the Board resolution approving the Investment) the Group to enter into the Sale and Purchase Agreement, the Shareholders' Agreement, the Deed of Indemnity and the Deed of Non-competition. In addition, the Directors, including the independent non-executive Directors, believe that the Investment is not entered in the ordinary and usual course of business of the Group, but the terms thereof are on normal commercial terms or better after arm's length negotiations between the parties and are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

10. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Investment exceeds 5% but all of them are less than 25%, the Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders' approval under the Listing Rules.

The Vendor, namely Mr. Liang Nathan Wei, is the son of Mr. Liang Ronald (the chairman of the Board, an executive Director and a substantial Shareholder), and is therefore a connected person of the Company at the issuer level. Further, upon Completion, the Target Company will be owned as to 40% by the Vendor and therefore the Target Company will become a connected

LETTER FROM THE BOARD

subsidiary of the Company under Chapter 14A of the Listing Rules. As such, after the Acquisition, the provision of the Purchaser Shareholder's Loan and the Purchaser Further Shareholder's Loan to the Target Company constitutes a connected transaction under Chapter 14A of the Listing Rules. Therefore, the Investment as a whole constitutes a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Liang Ronald is considered to have material interests in the Investment by virtue of his relationship with the Vendor, and therefore he shall abstain from voting on the Board resolution approving the Investment and the transactions contemplated thereunder. Save as disclosed, no other Directors shall abstain from voting on the said Board resolution.

Any Shareholders who are involved in or interested in the Investment are required to abstain from voting on the relevant ordinary resolution approving the Investment and the transactions contemplated thereunder. Mr. Liang Ronald, and Rainbow Path International Limited and Veteran Ventures Limited, both of which are wholly-owned by Mr. Liang Ronald, as well as the Vendor, will abstain from voting on the resolution approving the Investment and the transactions contemplated thereunder in the EGM. As at the Latest Practicable Date, Mr. Liang Ronald, Rainbow Path International Limited and Veteran Ventures Limited together hold 75,670,000 Shares, representing approximately 26.25% issued share capital of the Company, and the Vendor holds 22,000 Shares, representing less than 0.01% issued share capital of the Company. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the Investment and the transactions contemplated thereunder and will be required to abstain from voting at the EGM.

11. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 October 2020 to Wednesday, 28 October 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 21 October 2020.

LETTER FROM THE BOARD

12. EGM

A notice convening the EGM to be held at 6th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 28 October 2020 at 10:00 a.m. is set out on pages 56 to 58 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy will be deemed to be revoked.

13. VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and the articles of association of the Company, the resolution set out in the notice of the EGM will be voted on by poll at the EGM. Article 66(1) of the articles of association of the Company provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every fully paid Share held by that Shareholder. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

14. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Investment and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE BOARD

15. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular and the letter from the Independent Financial Adviser set out on pages 24 to 48 of this circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Investment and the transactions contemplated thereunder and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms and conditions of the Investment and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, but are on normal commercial terms or better after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Therefore, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Investment and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, but are on normal commercial terms or better after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM approving the Investment and the transactions contemplated thereunder.

Yours faithfully,
By order of the Board
C Cheng Holdings Limited
Liang Ronald
Chairman and Executive Director

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Investment and the transactions contemplated thereunder:

**C CHENG HOLDINGS LIMITED****思城控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1486)**

**DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO
THE ACQUISITION OF 60% OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY, AND THE PROVISION OF THE PURCHASER
SHAREHOLDER'S LOAN AND THE PURCHASER FURTHER
SHAREHOLDER'S LOAN TO THE TARGET COMPANY
AND
NOTICE OF EGM**

9 October 2020

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 9 October 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Investment and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice of the Independent Financial Adviser and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from the Independent Financial Adviser” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

Having taken into account the (i) terms and conditions of the Investment and the transactions contemplated thereunder; and (ii) the factors referred to in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that despite the entering into of each of the Sale and Purchase Agreement, the Shareholders’ Agreement, the Deed of Indemnity and the Deed of Non-competition is not in the ordinary and usual course of business of the Group, the terms of the Investment and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms or better after arm’s length negotiations between the parties; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Investment.

Yours faithfully,

The Independent Board Committee of
C Cheng Holdings Limited

Mr. Yu Chi Hang

Independent Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Director

Ms. Su Ling

Independent Non-executive Director

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



To the Independent Board Committee and the Independent Shareholders,

9 October 2020

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
1) THE ACQUISITION OF 60% OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY;
2) THE PROVISION OF THE PURCHASER SHAREHOLDER'S LOAN; AND
3) THE PROVISION OF THE PURCHASER FURTHER SHAREHOLDER'S LOAN

I. INTRODUCTION

We refer to our engagement as the independent financial adviser (“**IFA**”) to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the provision of the Purchaser Shareholder’s Loan and the Purchaser Further Shareholder’s Loan to the Target Company and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in this circular (the “**Circular**”) dated 9 October 2020 issued by the Company, 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.

Reference is made to the announcement of the Company dated 16 September 2020 (the “**Announcement**”) that on 16 September 2020, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell, 6,000 Sale Shares of the Target Company at the Consideration of HK\$6,000. Immediately following the Completion, the Target Company will be owned as to 60.0% by the Purchaser and as to 40.0% by the Vendor and will become an indirect non wholly-owned subsidiary of the Company.

In addition, the Purchaser would also enter into the Shareholders’ Agreement with the Vendor and the Target Company upon Completion, pursuant to which, among others, within three Business Days from the date of the Shareholders’ Agreement, (a) the Vendor shall provide a further funding

to the Target Company by way of shareholder's loan so that the total sum of the shareholder's loan by the Vendor shall be at HK\$4.8 million; and (b) the Purchaser shall provide an initial funding for its business by way of shareholder's loan, namely the Purchaser Shareholder's Loan, in the sum of HK\$7.2 million to the Target Company, both of which will then be capitalised by the Target Company;

Furthermore, pursuant to the Shareholders' Agreement, the Purchaser shall provide a further funding to the Target Company for the business of the Target Group by way of shareholder's loan, namely the Purchaser Further Shareholder's Loan, up to an aggregate sum of HK\$15.0 million for investment and working capital purposes on or before 31 December 2021.

Given the Vendor, namely Mr. Liang Nathan, is the son of Mr. Liang Ronald, being the chairman of the Board, an executive Director and a substantial Shareholder, and is therefore a connected person of the Company at the issuer level. Further, upon Completion, the Target Company will be owned as to 40.0% by the Vendor and therefore the Target Company will become a connected subsidiary of the Company under Chapter 14A of the Listing Rules.

As such, the Acquisition, the provision of the Purchaser Shareholder's Loan, which will then be capitalised by the Target Company pursuant to the Shareholders' Agreement, and the provision of the Purchaser Further Shareholder's Loan to the Target Company (collectively, the **"Investment"**) constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the aggregation amount of the Investment exceeds 5%, the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement by the Group is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, given one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the aggregation amount of the Investment exceeds 5% but less than 25%, the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement by the Group also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements but is exempt from Shareholders' approval under the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Yu Chi Hang, Mr. Lo Wai Hung and Ms. Su Ling, has been formed to consider whether the terms of the Investment and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on

the resolution to be proposed at the EGM. In our capacity as the IFA, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 28 October 2020. Given Mr. Liang Ronald is considered to have material interests in the Investment by virtue of its relationship with the Vendor, Mr. Liang Ronald, and Rainbow Path International Limited and Veteran Ventures Limited, both of which are wholly-owned by Mr. Liang Ronald, as well as the Vendor, will abstain from voting on the resolution approving the Investment and the transactions contemplated thereunder in the EGM.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as relevant to the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the Investment and the transactions contemplated thereunder.

II. BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management (“**Management**”) of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. 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, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

We, as the IFA, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. 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, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company and the Target Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Investment, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Investment.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE INVESTMENT

In formulating our opinion and recommendations on the terms of the Sale and Purchase Agreement and the Shareholders' Agreement, we have taken into the following principal factors and reasons into consideration:

A. Background Information of the Group

The Group is principally engaged in the provision of comprehensive architectural services, which mainly include architecture design, landscape architecture design, town planning, interior design and heritage conservation. In addition, the Group is also engaged in the provision of building information modelling ("**BIM**") services.

The Group mainly operates in the Greater China region with offices located in Hong Kong, Shenzhen, Guangzhou, Shanghai, Chongqing, Beijing and Shenyang.

Financial performance of the Group

Set out below is the key financial information of the Group for the two years ended 31 December 2019 as extracted from the published annual report of the Company for the year ended 31 December 2019 dated 30 March 2020 ("**Annual Report 2019**") and the unaudited financial

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information of the Group for the six months ended 30 June 2019 and 2020 as extracted from the published interim report for the six months ended 30 June 2020 dated 8 September 2020 (“**Interim Report 2020**”).

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	671,598	685,091	319,133	310,835
— Comprehensive architectural services	628,543	632,080	293,819	281,197
— BIM services	43,055	53,011	25,314	29,638
Gross profit	199,561	146,678	70,667	60,032
Profit (loss) for the year	51,182	(10,582)	(8,638)	(8,207)
Adjusted profit excluding the non-recurring impairment (Note)	51,182	8,505	10,380	(8,207)

Note: In June 2019, the Group ceased the operation of an underperforming business unit, namely Cfu Come Limited. As a result, non-recurring impairment losses of approximately HK\$19.1 million was recognised for the year ended 31 December 2019.

Year ended 31 December 2018 compared to year ended 31 December 2019

As illustrated in the table above, the revenue of the Group experienced a slight increase by approximately 2.0% from approximately HK\$671.6 million for the year ended 31 December 2018 to approximately HK\$685.1 million for the year ended 31 December 2019. Both operating segments of the Group recorded a revenue growth in the year ended 31 December 2019, and the revenue growth of the Group’s BIM services segment outpaced the comprehensive architectural services segment.

Comprehensive architectural services segment — For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$632.1 million, which increased by 0.6% as compared to approximately HK\$628.5 million for the year ended 31 December 2018. The increase was mainly attributable to the strategic co-operation with Beijing General Municipal Engineering Design & Research Institute Co., Ltd. since April 2017 and the extension and diversification of business portfolios. As at 31 December 2019, the Group had remaining contract sums of approximately HK\$1,396.0 million, representing an increase of approximately 4.3% as compared to approximately HK\$1,338.3 million as at 31 December 2018.

BIM services segment — For the year ended 31 December 2019, the Group had a revenue of approximately HK\$53.0 million, which represented an increase of approximately 23.1% as compared with approximately HK\$43.1 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in the value of new contracts and supplementary contracts secured during the year 2019. The remaining contract sum as at 31 December 2019 was approximately HK\$88.4 million, which increased by approximately 71.3% as compared with contract sum of approximately HK\$51.6 million as at 31 December 2018.

The Group recorded loss of approximately HK\$10.6 million for the year ended 31 December 2019, which was mainly attributable to (i) non-recurring impairment losses of approximately HK\$19.1 million as a result of the cessation of operation of an underperforming business unit, Cfu Come Limited, which was principally engaged in the provision of repair services and fitting out works and operation of related mobile application; and (ii) the decrease in gross profit margin. The Group had an increase in staff costs and overhead cost, however, the growth in revenue was not in the same pace as the property developers became more conservative since the Sino-US Trade War in 2019, which led to the delay in progress of certain projects.

Six months ended 30 June 2019 compared to six months ended 30 June 2020

The revenue of the Group slightly decreased by approximately 2.6% to approximately HK\$310.8 million for the six months ended 30 June 2020 from approximately HK\$319.1 million for the six months ended 30 June 2019. The decrease was primarily due to the decrease in revenue contributed from the comprehensive architectural service segment, partially offset by the increase in revenue generated from the BIM services segment.

Comprehensive architectural services segment — The impact arising from the COVID-19 led to extraordinary disruptions to the business activities of the Group. Some of the offices in the PRC were instructed to close temporarily in February and March of year 2020. The mandated closure of business operations of the government bodies also delayed the progress of the projects. For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$281.2 million, which decreased by approximately 4.3% as compared to approximately HK\$293.8 million for the six months ended 30 June 2019. As at 30 June 2020, the Group had remaining contract sums of approximately HK\$1,484.2 million, representing an increase of approximately 6.3% as compared to approximately HK\$1,396.0 million as at 31 December 2019.

BIM services segment — Revenue of the Group increased by approximately 17.0% from approximately HK\$25.3 million for the six months ended 30 June 2019 to approximately HK\$29.6 million for the six months ended 30 June 2020. The cloud-based platform and its business nature make BIM services resilient to the COVID-19 Pandemic. Therefore, the BIM services segment of the Group recorded continuous growth in revenue and staggering increment in new contract value

and remaining contract fee on hand. The remaining contract sum as at 30 June 2020 was approximately HK\$106.2 million, increased by approximately 20.1% as compared with approximately HK\$88.4 million as at 31 December 2019.

The Group recorded a net loss of approximately HK\$8.2 million for the six months ended 30 June 2020, which was mainly attributable to (i) the slight decrease in revenue as a result of the delay in projects progress; and (ii) the increase in staff cost and head count for administrative support.

B. Background Information of the Target Company

The Target Company is a company incorporated in Hong Kong on 18 October 2017 with limited liability and is entirely owned by the Vendor as at the date of the Sale and Purchase Agreement. The Target Company has commenced business since August 2018 and is solely managed and operated by Mr. Liang Nathan up to the date of the Announcement. The scope of business of the Target Company is proprietary securities trading and investment.

Financial Information of the Target Company

Set out below is the summary of the key financial information of the Target Company for the period from the date of incorporation (i.e. 18 October 2017) to 31 December 2018 and for the year ended 31 December 2019 as extracted from the audited financial statements of the Target Company for the year ended 31 December 2019 dated 15 April 2020:

	From the date of incorporation to 31 December 2018	For the year ended 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Realised and unrealised (loss)/gain on investment	(330)	431
Dividend income	18	190
Net (loss)/profit after tax	(504)	253

The Target Company commenced its proprietary securities trading and investment activities since 2 August 2018. For the period from the date of incorporation of the Target Company to 31 December 2018, the Target Company recorded realised and unrealised loss of approximately

HK\$0.33 million on its investments in shares listed mainly in Hong Kong and New York. Such investment loss was primarily attributable to the global stock market dive in 2018 arising from the economic uncertainty brought by the Sino-US Trade War, Brexit and rising interest rate.

For the year ended 31 December 2019, the Target Company recorded realised gain of approximately HK\$0.24 million and unrealised gain of HK\$0.19 million on its investments in listed shares, which was in line with the rebound of the global stock market in 2019.

	As at 31 December	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Current assets	5,744	5,224
Current liabilities	6,237	5,464
Net liabilities	(493)	(240)

As at 31 December 2018 and 2019, the Target Company had no non-current assets and liabilities. As at 31 December 2019, the current assets of the Target Company amounted to approximately HK\$5.2 million (2018: HK\$5.7 million), which mainly comprised its investments in listed equities of approximately HK\$5.1 million (2018: HK\$3.9 million) and cash and cash equivalents of approximately HK\$0.1 million (2018: HK\$1.8 million).

The current liabilities of the Target Company as at 31 December 2019 amounted to approximately HK\$5.5 million (2018: HK\$6.2 million), comprising mainly the amount due to the Vendor of approximately HK\$3.8 million (2018: HK\$6.2 million) and the overdraft at security dealer's account of approximately HK\$1.6 million (2018: nil).

As a result, the net liabilities of the Target Company amounted to approximately HK\$0.5 million as at 31 December 2018 and approximately HK\$0.2 million as at 31 December 2019. The gearing ratio of the Target Company, as expressed at total liabilities over total assets, was approximately 104.6% as at 31 December 2019 (2018: 108.6%).

With reference to the unaudited management accounts of the Target Company for the period ended 15 August 2020, the Target Company has recorded unaudited net assets of approximately HK\$70,000 as at 15 August 2020 from net liabilities of approximately HK\$240,000 as at 31 December 2019. Such change was mainly due to the waiver of the shareholder's loan of approximately HK\$0.5 million provided by the Vendor to the Target Company on 31 July 2020 and the operating loss of the Target Company of approximately HK\$0.2 million during the corresponding period.

C. Reasons and Benefits of the Investment

As mentioned in the Letter from the Board, the Board considers that the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement would allow the Group to (i) utilise the idle funds to achieve reasonable investment return; (ii) leverage on the profession and experience of Mr. Liang Nathan to establish an investment platform for the Group; and (iii) enjoy an interest return which is higher than the time deposit rates offered by licensed banks through the provision of the Purchaser Further Shareholder's Loan. Therefore, we have taken into account the following factors in assessing the reasonableness of the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement by the Group:

(a) Historical operating cashflow and liquidity of the Group

In assessing whether the Group has sufficient financial resources for the Investment, we have reviewed the historical operating cashflow, the liquidity and cash balances of the Group. The following table summarises the key information in respect of the Group's operating cashflow for the two years ended 31 December 2019 and the six months ended 30 June 2020 as extracted from the Group's Annual Report 2019 and Interim Report 2020:

	For the year ended		For the six
	31 December		months ended
	2018	2019	30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Operating cash flows before movements			
in working capital	83,842	86,293	32,324
Net cash flow (used in)/from operating			
activities	(36,355)	30,201	(2,556)

For the two years ended 31 December 2019 and the six months ended 30 June 2020, the Group recorded continuous operating cash inflow before movements in working capital, amounting to approximately HK\$83.8 million, HK\$86.3 million and HK\$32.3 million, respectively.

For the year ended 31 December 2018, the Group recorded a net cash flow used in operating activities of approximately HK\$36.4 million. As advised by the Management, such net cash flow used in operating activities was mainly attributable to the significant increase in trade receivables as a result of the adoption of the new accounting standard HKFRS15 *Revenue from Contracts with Customers*. The Group subsequently recorded a net cash flow from operating activities of approximately HK\$30.2 million for the year ended 31 December 2019 and a net cash flow used in

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operating activities of approximately HK\$2.6 million for the six months ended 30 June 2020. The net cash flow used in operating activities for the six months ended 30 June 2020 was mainly due to the loss of approximately HK\$8.2 million for the period arising from the impact of COVID-19 on the Group's business.

The following table sets forth the relevant key information in respect of the historical cash and liquidity positions of the Group:

	As at 31 December		As at 30 June
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	182,104	268,193	201,229
Bank borrowings	54,211	110,317	95,008
Net cash balance (<i>Note</i>)	127,893	157,876	106,221
Net current assets	316,942	348,123	346,978

Note: The net cash balance is calculated by deducting the bank borrowings from the cash and cash equivalents as at respective year/period end.

As illustrated in the table above, the Group had net current assets of approximately HK\$316.9 million, HK\$348.1 million and HK\$347.0 million, as at 31 December 2018, 31 December 2019 and 30 June 2020, respectively. The Group also maintained net cash balances of HK\$127.9 million, HK\$157.9 million and HK\$106.2 million as at the respective year or period end. The Investment, amounting to approximately HK\$22.2 million, represents approximately 17.4%, 14.1% and 20.9% of the net cash balances of the Group as at 31 December 2018, 31 December 2019 and 30 June 2020, respectively.

In addition, based on the information provided by the Company, we note that the Group had unutilised banking facilities of approximately HK\$21.0 million, HK\$35.0 million and HK\$57.3 million as at 31 December 2018, 31 December 2019 and 30 June 2020, respectively.

Having considered that (i) the business of the Group generated continuous operating cash flow before movements in working capital; (ii) the net cash used in operating activities for the year ended 31 December 2018 and the six months ended 30 June 2020 were mainly due to the change in accounting standard and impact of COVID-19 on the business of the Group, respectively; (iii) the Group had increasing remaining contract sum on hand as discussed above; and (iv) the Group had net cash balances of approximately HK\$106.2 million and unutilised

banking facilities of approximately HK\$57.3 million as at 30 June 2020, we concur with the view of the Directors that the Group has sufficient financial resources to be allocated to the Investment to achieve reasonable investment return.

(b) Profession and experience of Mr. Liang Nathan

Following the Completion, Mr. Liang Nathan shall be appointed as the managing director of the Target Company and will continue to be in charge of the proprietary securities trading and investing activities of the Target Company. As stated in the Letter from the Board, the Directors consider that, through the Investment, the Group can establish its investment platform by leveraging on the profession and experience of Mr. Liang Nathan in the financial market, in particular, in proprietary securities trading and investment.

As stated in the Letter from the Board and based on the resume of Mr. Liang Nathan provided by the Company, Mr. Liang has over 13 years of experience in the financing and investment industry, covering equities, fixed income products and derivatives, especially in supporting hedge funds with their long/short strategies. He has extensive knowledge of the Asian Market and understanding on the markets of Europe, Middle East and Africa (EMEA) and Americas.

Mr. Liang obtained his bachelor of science in business administration and management from Boston University School of Management (now known as Questrom School of Management) in 2006. In 2007, Mr. Liang joined Goldman Sachs and started his career at Operations, where he was responsible for servicing hedge fund clients and managed their trades from post execution all the way through to settlement. During the period from 2014 to 2018, Mr. Liang moved to the front office of Goldman Sachs, where he was primarily responsible for acting as a single point of contact for hedge funds and clients to support and facilitate the execution of their long/short strategies. He also covered a variety of equities, fixed income and derivative related queries across global markets and involved in corporate actions, initial public offerings participation, foreign exchange execution and stock loan. Mr. Liang left Goldman Sachs in 2018 with his last position as an executive director in prime brokerage client services. During his time in the front office at Goldman Sachs, he also possessed the licenses to carry out Type 1 (Dealing in securities) and Type 2 (Dealing in futures contracts) regulated activities under the SFO.

According to the transaction records of the Target Company provided by the Company, the Target Company commenced its investing activities since 2 August 2018. It invested in listed equities across different sectors, including real estate, telecommunication, finance and investment, automobile and healthcare. The following table sets forth a comparison between the return of the investment portfolio of the Target Company and SSGA Tracker Fund of Hong Kong (2800.HK):

	From 2 August 2018 to 31 December 2018	For the year ended 31 December 2019	From 1 January 2020 to 15 August 2020	From 2 August 2018 to 15 August 2020
Investment portfolio of the Target				
Company (Note 1)	-7.4%	9.7%	1.1%	7.4%
SSGA Tracker Fund of Hong Kong				
(2800.HK) (Note 2)	-7.1%	13.6%	-9.1%	-4.4%
Relative performance of the investment portfolio of the Target Company against SSGA Tracker Fund of Hong Kong				
(2800.HK) (Note 3)	-0.3%	-3.9%	10.2%	11.8%

Notes:

- (1) The rate of return is calculated by dividing the sum of capital gains and dividend income by the average monthly principal amount invested during respective year/period.
- (2) The financial data for the computation of the rate of return is extracted from the website of yahoo finance (<https://hk.finance.yahoo.com>).
- (3) The relative performance represents the difference in the rate of return of the investment portfolio of the Target Company and SSGA Tracker Fund of Hong Kong (2800.HK).

As illustrated in the above table, the investment portfolio of the Target Company had a negative return of approximately 7.4% from 2 August 2018 to 31 December 2018. As advised by the Management, we understand that the negative return was mainly attributable to the global stock market dive in 2018 and the portfolio was still at infant stage.

For the year ended 31 December 2019, the investment portfolio of the Target Company achieved an investment return of 9.7%, though the return of the investment portfolio is approximately 3.9% lower than the return of the SSGA Tracker Fund of Hong Kong for the same period in 2019.

For the period from 1 January 2020 and up to 15 August 2020, the investment portfolio of the Target Company recorded a positive return of 1.1%, which had outperformed the return of the SSGA Tracker Fund of Hong Kong of the same period.

Since the Target Company conducted the first investment on 2 August 2018 and up to 15 August 2020, the accumulated return of the investment portfolio of the Target Company reached 7.4% and outperformed SSGA Tracker Fund of Hong Kong by approximately 11.8%.

Having considered that (i) Mr. Liang Nathan has relevant profession and extensive experience in the financial and investing industry, especially he had worked in Goldman Sachs for almost 11 years; and (ii) the Target Company has demonstrated a progressive performance as its investment portfolio has achieved an accumulated return of approximately 7.4% and has outperformed the SSGA Tracker Fund of Hong Kong by 11.8% in this volatile market, we concur with the view of the Directors that the Group can leverage on the profession and experience of Mr. Liang Nathan in establishing an investment platform and achieving a reasonable investment return.

(c) Cost of financing of the Group

Pursuant to the Shareholders' Agreement, the Group shall provide the Purchaser Further Shareholder's Loan to the Target Company up to an aggregate sum of HK\$15.0 million for working capital and investment purposes. It is proposed that the Purchaser Further Shareholder's Loan shall be subject to an interest rate of 4.75% per annum. As stated in the Letter from the Board, the Directors expect that, through the provision of the Purchaser Further Shareholder's Loan to the Target Company, the Group will be able to enjoy an interest return which is higher than time deposit rates offered by the licensed banks.

Following the Federal Reserve cut its benchmark interest rate from 1.00% -1.25% per annum to 0%–0.25% per annum in March 2020, the interest rates in Hong Kong have decreased accordingly. We have obtained and reviewed the time deposit rates offered by two principal banks of the Group in Hong Kong as at the date of the Announcement. The one-year time deposit rates ranged from 0.15% per annum to 0.30% per annum and are significantly lower than the proposed interest rate of 4.75% per annum of the Purchaser Further Shareholder's Loan.

In addition, based on the facility letters provided by the Company, we understand that the banking facilities of the Group carried interest rates of HIBOR plus 1.95% per annum as at 30 June 2020. For the period ended 30 June 2020, the effective interest rate of the Group's bank borrowings ranged from 2.39%% to 4.66% per annum. Therefore, the proposed interest rate of the Purchaser Further Shareholder's Loan is higher than the financing cost of the Group's bank borrowings.

Having considered (i) the interest rate of the Purchaser Further Shareholder's Loan is higher than the time deposit rates offered by the principal banks of the Group; and (ii) the proposed interest rate of the Purchaser Further Shareholder's Loan is higher than the effective interest rate of the Group's bank borrowings, we agree that the provision of the Purchaser Further Shareholder's Loan would allow the Group to enjoy an interest return better than time deposit.

(d) Overview of the global stock market

The global outbreak of COVID-19 since December 2019 has inevitably caused negative impact on the global economy in the first half of 2020. Various preventive measures were imposed by relevant governments and corporations, which derailed economic activities and spiked up the unemployment rate. In response, government authorities around the world had implemented various monetary and fiscal policies to support the economy, including but not limited to cutting the short term interest rate to near zero. However, despite the above, the global economy continues to face great uncertainties as the risk of further outbreak of COVID-19 around the world remains.

Amid of the outbreak of COVID-19, the global stock market rebound strongly after the panic sell-off caused by COVID-19 in the first quarter of 2020. The S&P500 Index recorded approximately 35.4% peak-to-trough decline in the first quarter of 2020, but strongly rebounded by approximately 53.9% since 23 March 2020 and up to 15 August 2020 and even recorded a historical high in early September 2020. Similarly, the Hang Seng Index recorded approximately -27.5% peak-to-trough decline in the first quarter of 2020 and rebounded by approximately 19.1% since 19 March 2020 and up to 15 August 2020.

Based on our discussion with the Management and considering the high volatility of the global stock markets during the year of 2020 as well as the low interest rate environment as mentioned above, it has become more difficult for the Group to achieve a reasonable investment return from its idle financial resources without a reliable investment expert. Through the Investment, the Group will be able to leverage on the profession and extensive experience of Mr. Liang Nathan. It is expected that Mr. Liang Nathan will be able to assist the Group to manage and diversify the Group's investment risks and capture investment opportunities from the volatile market.

(e) Internal control measures and regulatory supervision in relation to the future investment activities

As discussed with the Director, investment objectives and policy will be further established following the Completion. The investment objectives and policy will be reviewed and agreed by the board of the Target Company and are subject to annual assessment to see if any change in the objectives and policy is necessary.

The Target Company shall invest in listed equities across different countries and sectors in order to generate regular income while attempting to achieve middle to long term capital appreciation in the value of such assets. The Target Company is restricted from investing in any financial derivatives. The value of each single investment shall be limited to no more than 5.0% of the net asset value of the investment portfolio unless there is special approval from the board of the Target Company.

Although the daily investing activities will be managed by Mr. Liang Nathan, he will report to the board of the Target Company on the latest performance and composition of the investment portfolio regularly and when there is any new investment. The board of the Target Company will also have periodical reviews on the performance of the investments to closely monitor the operation and performance of the Target Company. In addition, the financial performance of the Target Company will be reported to the Board semi-annually.

Given the Target Company will become a non-wholly owned subsidiary of the Group upon Completion, any transactions and investments of the Target Company will be governed by relevant notifiable transaction requirements under Chapter 14 of the Listing Rules. Mr. Liang Nathan will report each of the transactions to the finance department of the Group at the end of each trading day. The Group's finance department will closely monitor the size of each single transaction and accumulated investments of the Target Company to ensure and facilitate the compliance of the Group with Chapter 14 of the Listing Rules from time to time.

Taking into account that (i) the Group had sufficient financial resources as at 30 June 2020; (ii) Mr. Liang Nathan possesses relevant profession and extensive experience in the financial market, in particular proprietary securities trading and investment; (iii) the Purchaser Further Shareholder's Loan would allow the Group to enjoy an interest return that is higher than time deposit rates; (iv) the profession and experience of Mr. Liang Nathan will be able to assist the Group to manage and diversify the investment risk and capture various opportunities from the volatile market; and (v) the Group will establish internal control and stringent regulatory supervision on the investments of the Target Company, we concur with the view of the Directors that the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement is commercially justifiable and is in the interest of the Company and the Independent Shareholders as a whole though it is not conducted in the ordinary and usual course of business of the Group.

D. Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser 6,000 Sale Shares, representing 60.0% of the entire issued share capital of the Target Company. The Consideration is HK\$6,000 payable by cashier order(s). Immediately following the Completion, the Target Company will be owned as to 60.0% by the Purchaser and as to 40.0% by the Vendor.

(a) Basis of the Consideration

According to the Letter from the Board, the Consideration of the Acquisition was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms after taking into account, among others, the net asset value of the Target Company.

When assessing the fairness and reasonableness of the Consideration, we have reviewed the management account of the Target Company as at 15 August 2020. We noted that the Target Company had an unaudited net assets of approximately HK\$70,000 as at 15 August 2020.

As the scope of business of the Target Company is proprietary securities trading and investment in listed equities only, the assets of the Target Company as at 15 August 2020 comprised mainly its investment portfolio of approximately HK\$5.1 million, which is accounted at fair value through profit or loss, and cash and cash equivalents of approximately HK\$0.1 million. In the meantime, the liabilities of the Target Company as at 15 August 2020 comprised mainly the amount due to the Vendor of approximately HK\$3.7 million and the overdraft at security dealer's account of approximately HK\$1.5 million. Due to the nature and simplicity of the assets and liabilities held by the Target Company as at 15 August 2020, the accounting value of such assets and liabilities have truly reflected their market value. The net current assets of the Target Company would be an appropriate basis to determine the valuation of the Target Company.

Given the Consideration is below the net asset values of the Target Company as at 15 August 2020 and the Consideration is minimal with respect to the net assets of the Group, we are of the view that the Consideration is determined based on normal commercial terms, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

E. Principal terms of the Shareholders' Agreement

As disclosed in the Letter from the Board, in connection with the Sale and Purchase Agreement, the Purchaser will also enter into the Shareholders' Agreement with the Vendor and the Target Company so as to govern the operation, management and financing of the Target Company, and the rights and obligations amongst them. Principal terms of the Shareholders' Agreement are summarised below:

- | | |
|--------------------------------------|---|
| Parties: | (1) Bertrand Investments Limited, as the Purchaser;
(2) Mr. Liang Nathan, as the Vendor; and
(3) the Target Company |
| Board composition: | The maximum number of directors of the Target Company shall be three. The Purchaser shall have the right to appoint and remove two directors and appoint the chairman of the board; and the Vendor shall have the right to appoint and remove one director of the Target Company. |
| Activities required special consent: | Matters which require written consent of the shareholders of the Target Company together holding not less than 70% of the issued share capital of the Target Company, which include:

(i) material change in the nature or scope of the business;
(ii) amendment to the memorandum or articles of association;
(iii) appointment, termination, removal or change in the auditors;
(iv) change to the share capital;
(v) grant, issue or allotment of any shares of a company of the Target Group;
(vi) transfer of any shares or securities of a company of the Target Group;
(vii) any resolution to liquidate or wind up or the filing of a petition for winding up of a company of the Target Group; |

- (viii) formation of any subsidiary or acquiring shares in any other company;
- (ix) appointment or removal of any directors of any company of the Target Group;
- (x) initiate any litigation or arbitration of a material nature or involving more than HK\$3.0 million;
- (xi) enter into or vary any transaction or arrangement with any directors of any company of the Target Group or with any related party of the Target Group or any shareholder of the Target Company; and
- (xii) acquisition or disposal of any business or assets which will trigger any compliance obligation of the Company under the Listing Rules or the SFO; and
- (xiii) introduction of any field of activity that is a regulated activity under the SFO.

Non-alienation:

Each of the shareholders of the Target Company shall not (except with the prior Special Consent) (1) pledge, mortgage, charge or otherwise encumber any of his/her/its shares or any interest in his/her/its shares; (2) grant an option over any of his/her/its shares or any interest in any of his/her/its shares; (3) enter into any agreement in respect of any votes attached to any of his/her/its shares; (4) regarding the Purchaser, cease to be the subsidiary of the Company; or (5) regarding the shareholders of the Target Company other than the Purchaser, change the ultimate holding entity of the relevant shareholder.

New shareholders:

All the new shareholder(s) of the Target Company shall execute a deed of adherence such that they will be bounded by the Shareholders' Agreement.

As advised by the Directors, given the Target Company will become a non-wholly owned subsidiary of the Group upon Completion, distribution of profit of the Target Company will be made to the shareholders of the Target Company by way of dividend in accordance with the shareholding percentages.

We have reviewed the Shareholders' Agreement and have discussed with the Management regarding the aforementioned terms of the Shareholders' Agreement. Given (i) the majority of the board of directors of the Target Company, i.e. two out of three, are to be appointed by the Group, which ensures the Group will continue to have control and be involved in the strategic decision making of the Target Company; (ii) the Target Company has to obtain written consent from the Purchaser prior to conducting any material corporate actions; (iii) distribution of profits will be made to the shareholders of the Target Company by way of dividend in accordance with the shareholding percentages, we are of the view that the aforementioned terms of the Shareholders' Agreement provide sufficient protection for the Group to manage the Target Company.

(a) Loan Capitalisation

Pursuant to the Shareholders' Agreement, within three Business Days from the date of the Shareholders' Agreement, (i) the Vendor shall provide a funding of HK\$1.1 million to the Target Company for the business of the Target Group by way of shareholder's loan so that the total sum of the Vendor Shareholder's Loan shall be at HK\$4.8 million; and (ii) the Purchaser shall provide the Purchaser Shareholder's Loan in the sum of HK\$7.2 million as an initial funding to the Target Company.

Immediately after the due provision of the Vendor Shareholder's Loan at HK\$4.8 million and the Purchaser Shareholder's Loan at HK\$7.2 million, both the Vendor Shareholder's Loan at HK\$4.8 million and the Purchaser Shareholder's Loan at HK\$7.2 million shall then be capitalised by the Target Company and the Target Company shall allot and issue, 4,000 new shares to the Vendor and 6,000 new shares to the Purchaser respectively, all of which shall be issued and allotted as fully paid up or credited as fully paid up (the "**Loan Capitalisation**").

Upon the completion of the Loan Capitalisation, the Target Company will be owned as to 12,000 shares (60.0%) by the Purchaser and as to 8,000 shares (40.0%) by the Vendor respectively. The following table sets forth the shareholding immediately following the Acquisition, shares to be allotted and issued for the Loan Capitalisation, shareholding upon completion of the Loan Capitalisation and amount of Loan Capitalisation to be provided by the shareholders of the Target Company:

Shareholders	Shareholding in the Target Company immediately following the Acquisition	New shares of the Target Company to be allotted and issued for the Loan Capitalisation	Shareholding in the Target Company upon completion of the Loan Capitalisation	Amount of Loan Capitalisation to be provided	
	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>	<i>HK\$'000</i>	<i>%</i>
The Purchaser (being a wholly-owned subsidiary of the Company)	6,000	6,000	12,000	7,200	60.0
The Vendor	4,000	4,000	8,000	4,800	40.0
Total	10,000		20,000	12,000	100.0

The funding to be provided through the Loan Capitalisation amounting to HK\$12.0 million will be used by the Target Company for investment and working capital purposes. Taking into consideration that (i) the amount of Loan Capitalisation to be provided by the Purchaser and Vendor is proportionate to their respective shareholding interest in the Target Company immediately following the Acquisition; and (ii) the funding will be deployed only for designated purposes, we are of the view that the terms of the Loan Capitalisation are fair and reasonable.

(b) The Purchaser Further Shareholder's Loan

Pursuant to the Shareholders' Agreement, the Group shall provide the Purchaser Further Shareholder's Loan up to an aggregate sum of HK\$15.0 million as a further funding to the Target Company for its working capital and investment purposes on or before 31 December 2021. The Purchaser Further Shareholder's Loan can be withdrawn either by lump sum or by parts, and is unsecured, repayable within three years and at the interest rate of 4.75% per annum on simple basis. The Target Company shall repay the principal and the interests of the Purchaser Further

Shareholder's Loan in one lump sum upon maturity and the Target Company shall also be entitled to early repay the Purchaser Further Shareholder's Loan before maturity without compensation to the Purchaser.

As advised by the Management, the terms of the Purchaser Further Shareholder's Loan are arrived at after arm's length negotiations between the Purchaser and the Vendor. In assessing the fairness and the reasonableness of the principal terms of the Purchaser Further Shareholder's Loan, we have primarily made reference to the recent transactions involving the provision of loans/loan facilities conducted by listed issuers in Hong Kong.

We have conducted independent research from the public domain on comparable transactions (the "**Comparable Transactions**") which (i) were announced by companies listed on the Stock Exchange during the three-month period prior to the Announcement dated 16 September 2020, which in our view represents a sufficient period of time to reflect the prevailing market conditions for conducting such transactions; (ii) involved the provision/extension of unsecured interest-bearing loans/loan facilities by companies listed in Hong Kong; (iii) the lenders of the loans/loan facilities are not financial institutions and do not possess any money lending license; (iv) the borrowers of the loans/loan facilities are not companies listed on any stock exchange; and (v) constituted notifiable transactions and/or connected transactions of the issuers under the Listing Rules.

Shareholders should note that the business, operations and prospects of the Comparable Transactions may not be identical to those of the Company and we have not conducted any detailed investigation into the respective businesses and operations of the Comparable Transactions. Nevertheless, we consider that the Comparable Transactions could provide a general reference as to the common market practice of companies listed in Hong Kong for conducting similar transactions of the provision of the Purchaser Further Shareholder's Loan under the Shareholders' Agreement. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 23 Comparable Transactions which fit the above selection criteria. The following table sets forth a summary of the Comparable Transactions.

	Name of company	Stock code	Date of announcement	Interest rate per annum	Term to maturity (Months)	Principal amount of the loan	Whether it is a connected transaction (Yes/No)
1.	Asiasec Properties Limited	271	17/6/2020	4.75%	36	RMB40,000,000	Yes
2.	Sheen Tai Holdings Group Company Limited	1335	22/6/2020	6.00%	6	RMB40,000,000	Yes

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	Name of company	Stock code	Date of announcement	Interest rate per annum	Term to maturity (Months)	Principal amount of the loan	Whether it is a connected transaction (Yes/No)
3.	Kinetic Mines and Energy Limited	1277	22/6/2020	2% above the one-year loan market quoted interest rate announced by the National Interbank Funding Center (Note 1)	24	RMB57,000,000	Yes
4.	Soucheng Holdings Limited	697	23/6/2020	6.88%	36	RMB50,000,000	Yes
5.	Yuxing Infotech Investment Holdings Limited	8005	29/6/2020	8.00%	6	HK\$41,000,000	No
6.	Powerleader Science & Technology Group Limited	8236	2/7/2020	Higher of 7% and the one-year loan prime rate quotation as published by the People's Bank of China (Note 2)	30	RMB2,000,000,000	Yes
7.	Suncity Group Holdings Limited	1383	6/7/2020	14.00%	12	US\$30,000,000	Yes
8.	UTS Marketing Solutions Holdings Limited	6113	8/7/2020	10.00%	12	RM12,000,000	No
9.	Lee's Pharmaceutical Holdings Limited	950	17/7/2020	5.00%	12	US\$5,000,000	Yes
10.	Lee's Pharmaceutical Holdings Limited	950	17/7/2020	5.00%	12	HK\$39,056,000	Yes
11.	Sinofert Holdings Limited	297	22/7/2020	6.05%	12	RMB670,000,000	No
12.	MicroPort Scientific Corporation	853	24/7/2020	5.00%	18	RMB115,000,000	Yes
13.	Softpower International Limited	380	27/7/2020	5.50%	36	US\$10,000,000	Yes
14.	Joy City Property Limited	207	4/8/2020	10.00%	12	RMB580,000,000	No
15.	China East Education Holdings Limited	667	4/8/2020	7.00%	17	RMB390,000,000	Yes
16.	China Wood Optimization (Holding) Limited	1885	14/8/2020	10.00%	6	RMB50,000,000	No
17.	Sinofert Holdings Limited	297	17/8/2020	One-year loan prime rate quotation as published by the People's Bank of China (Notes 2)	24	RMB1,000,000,000	Yes
18.	Beijing Capital Land Limited	2868	2/9/2020	4.75%	36	RMB203,936,000	Yes
19.	China Chengtong Development Group Limited	217	3/9/2020	6.00%	12	RMB30,000,000	Yes
20.	AB Builders Group Limited	1615	10/9/2020	6.00%	24	HK\$9,000,000	Yes
21.	Shangri-La Asia Limited	69	11/9/2020	4.00%	On lender's demand	HK\$5,000,000	Yes
22.	SFund International Holdings Limited	1367	14/9/2020	6.00%	12	RMB50,000,000	Yes

Name of company	Stock code	Date of announcement	Interest rate per annum	Term to maturity (Months)	Principal amount of the loan	Whether it is a connected transaction (Yes/No)
23. China Glass Holdings Limited	3300	14/9/2020	7.00%	12	HK\$3,600,000	Yes
		Maximum	14.00%	36		
		Minimum	3.85%	6		
		Average	6.70%	18.5		

Notes:

- (1) As at the date of the Announcement, the one-year loan market quoted interest rate announced by the National Interbank Funding Center was 4.35%.
- (2) As at the date of the Announcement, the one-year loan prime rate quotation as published by the People's Bank of China was 3.85%.

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

i. Interest rate

As shown in the table above, the interest rates of the Comparable Transactions ranged from 3.85% to 14.00% per annum with an average of approximately 6.70% per annum. The interest rate of the Purchaser Further Shareholder's Loan of 4.75% per annum is within the interest rate range and in the lower quartile of the Comparable Transactions and is therefore acceptable based on market comparison. We believe the relatively lower interest rate of the Purchaser Further Shareholder's Loan within the interest rate range the Comparable Transactions is justifiable as the Target Company (i.e. borrower) will become a connected subsidiary of the Company upon Completion and hence the default risk would be relatively lower since the Company would be able to closely monitor the financial performance and solvency of the Target Company.

ii. Maturity

As illustrated in the above table, the terms to maturity of the Comparable Transactions ranged from 6 months to 36 months with an average term to maturity of approximately 18.5 months. The term to maturity of the Purchaser Further Shareholder's Loan of 36 months falls within the range and in the high end of that of the Comparable Transactions and is therefore in line with the recent market practice.

Taking into account that (i) the proposed interest rate of the Purchaser Further Shareholder's Loan is within the range and in the lower quartile of interest rates of the Comparable Transactions; (ii) the Company would be able to closely monitor the financial performance and solvency of the Target Company; and (iii) the term to maturity of the Purchaser Further Shareholder's Loan is

comparable to that of the recent market practice, we are of the opinion that the terms of the Purchaser Further Shareholder's Loan under the Shareholders' Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

F. Financial Effect of the Investment

The financial impact of the Investment on the Group's net assets and earnings are set out below.

(a) Net assets

Following the completion of the Acquisition and the Loan Capitalisation, the Target Company will become a non-wholly owned subsidiary of the Group and the assets and liabilities of the Target Company will be consolidated into the financial statements of the Group. The Directors expect that the net assets value and non-controlling interests of the Group will increase by approximately HK\$4.8 million upon the completion of the Acquisition and the Loan Capitalisation.

In addition, given the provision of the Purchaser Further Shareholder's Loan is an intra-group transaction between the Target Company and the Purchaser within the Group, the provision of the Purchaser Further Shareholder's Loan will have no material impact on the consolidated net assets value of the Group.

(b) Earnings

Upon the completion of the Acquisition and the Loan Capitalisation, there is no immediate material impact on earnings of the Group. As the Target Company will become a non-wholly owned subsidiary of the Group, its future financial results will be consolidated into the Group's financial statements.

As the Purchaser will be entitled to receive interest income from the Target Company through the provision of the Purchaser Further Shareholder's Loan, it is expected that such interest income will lead to a positive impact on the profit attributable to the owners of the Company.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position and performance of the Group will be after the entering into of the Sale and Purchase Agreement and the Shareholders' Agreement.

IV. RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that (i) the terms of the Investment are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the Sale and Purchase Agreement and the Shareholders' Agreement are on normal commercial terms and in the interests of the Company and Independent Shareholders as a whole, though the Investment is not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Investment as well as the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Calvin Poon
Managing Director

Alvin Wong
Director

Mr. Calvin Poon and Mr. Alvin Wong are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Alvin Wong have over 16 and 9 years of experience in corporate finance industry, respectively.

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**a. Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Long positions

Name of Director	Company/name of associated company	Nature of interest	Number of ordinary shares held	Approximate of percentage of shareholding
Liang Ronald	The Company	Interest in a controlled corporation	69,398,000	24.07%
	The Company	Beneficial interest	6,272,000	2.17%
	The Company	Beneficial interest ^(Note 1)	12,000,000	4.16%
Liu Gui Sheng	The Company	Beneficial interest ^(Note 1)	12,000,000	4.16%

Name of Director	Company/name of associated company	Nature of interest	Number of ordinary shares held	Approximate of percentage of shareholding
Fu Chin Shing	The Company	Interest in a controlled corporation	25,662,000	8.90%
	The Company	Beneficial interest	8,724,000	3.02%
	The Company	Interest of spouse ^(Note 2)	298,000	0.10%
	The Company	Beneficial interest ^(Note 1)	9,100,000	3.15%
Wang Jun You	The Company	Interest in a controlled corporation	12,940,000	4.48%
	The Company	Beneficial interest	1,450,000	0.50%
	The Company	Beneficial interest ^(Note 1)	6,800,000	2.35%
	The Company	Interest of spouse ^(Note 3)	200,000	0.06%
	The Company	Interest of spouse ^(Notes 1 and 3)	900,000	0.31%
Liu Yong	The Company	Beneficial interest ^(Note 1)	3,000,000	1.04%
Ma Kwai Lam Lambert	The Company	Beneficial interest	250,000	0.08%
	The Company	Beneficial interest ^(Note 1)	3,000,000	1.04%

Notes:

- (1) These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme.
- (2) Mr. Fu Chin Shing, being spouse of Ms. Chung Wai Chi, Connie, is deemed to be interested in 298,000 shares held by Ms. Chung Wai Chi, Connie under the SFO.
- (3) Mr. Wang Jun You, being spouse of Ms. Li Min, is deemed to be interested in 200,000 shares held by Ms. Li Min under the SFO.

Short positions

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Share, underlying shares and debentures of the Company or any of 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO,

to be entered in the register maintained by the Company referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

b. Substantial Shareholders' and other persons' interests and short position in Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed in the above) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date:

Name of Shareholder	Capacity	Total number		Percentage of total issued share capital in the Company
		of ordinary shares	Long/short position	
Beijing Enterprises Group Company Limited	Interest in a controlled corporation ^(Note 1)	79,473,780	Long	27.57%
Beijing General Municipal Engineering Design & Research Institute Co., Ltd. ("BMEDI")	Interest in a controlled corporation ^(Note 1)	79,473,780	Long	27.57%
Beijing Design Group Company Limited	Beneficial owner ^(Note 1)	79,473,780	Long	27.57%
Rainbow Path International Limited	Beneficial owner ^(Note 2)	62,198,000	Long	21.57%
Veteran Ventures Limited	Beneficial owner ^(Note 2)	7,200,000	Long	2.49%
Vivid Colour Limited	Beneficial owner ^(Note 3)	25,662,000	Long	8.90%
Jun Ming Investments Limited	Beneficial owner ^(Note 4)	12,940,000	Long	4.48%
Liang Sharon	Interest of spouse ^(Note 5)	87,670,000	Long	30.41%
Chung Wai Chi, Connie	Interest of spouse ^(Note 6)	43,486,000	Long	15.08%
	Beneficial owner	298,000	Long	0.10%
Li Min	Interest of spouse ^(Note 7)	21,190,000	Long	7.35%
	Beneficial owner ^(Note 8)	1,100,000	Long	0.38%

Notes:

- (1) Beijing Design Group Company Limited is 100% owned by BEMDI and BMEDI is 100% owned by Beijing Enterprises Group Company Limited.
- (2) Rainbow Path International Limited and Veteran Ventures Limited are 100% owned by Mr. Liang Ronald.
- (3) Vivid Colour Limited is 100% owned by Mr. Fu Chin Shing.
- (4) Jun Ming Investments Limited is 100% owned by Mr. Wang Jun You.
- (5) Ms. Liang Sharon, being spouse of Mr. Liang Ronald, is deemed to be interested in the 87,670,000 shares and share options held by Mr. Liang Ronald under the SFO.
- (6) Ms. Chung Wai Chi, Connie, being spouse of Mr. Fu Chin Shing, is deemed to be interested in the 43,486,000 shares and share options held by Mr. Fu Chin Shing under the SFO.
- (7) Ms. Li Min, being spouse of Mr. Wang Jun You, is deemed to be interested in the 21,190,000 shares and share options held by Mr. Wang Jun You under the SFO.
- (8) It represents the interest in 200,000 shares and the interest in 900,000 underlying shares upon exercise of the share options granted under the Share Option Scheme.

Save as disclosed in this circular, so far as was known to the Directors or chief executives of the Company, there is no other person (other than the Directors or chief executives of the Company as disclosed in the above) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, each of the following Directors is a director or employee in the following companies, each of which has an interest or short position 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 3 of Part XV of the SFO:

- a. Mr. Liu Gui Sheng, an executive Director, is currently a member of the Standing Communist Party Committee of Beijing Enterprises Group Company Limited ("BEGCL"), and a director of BEGCL. He is a secretary of the Standing Communist Party Committee of BMEDI and the Chairman of BMEDI.
- b. Mr. Liu Yong, an executive Director, is Vice General Manager of BMEDI.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were 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).

5. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or controlling shareholders (as defined in the Listing Rules) and their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

6. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have been named in this circular:

Name	Qualification
Innovax Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As of the Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts:

- (a) did not have any shareholding, either directly or indirectly, in any member of the Group;
- (b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited accounts of the Company were made up).

The letter from the Independent Financial Adviser dated 9 October 2020 set out in Appendix II to this circular was given for incorporation in this circular.

8. NO MATERIAL ADVERSE CHANGE

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

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company is at 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited at Suites 3301—04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The Company secretary is Ms. Yu Wing Sze.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business in Hong Kong which is situated 15th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the Sale and Purchase Agreement;
- (b) the Shareholders' Agreement;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition;
- (e) the letter from the Independent Board Committee dated 9 October 2020, the text of which is set out on pages 22 to 23 of this circular;
- (f) the letter from the Independent Financial Adviser dated 9 October 2020, the text of which is set out on pages 24 to 48 of this circular;
- (g) the letter of consent from the Independent Financial Adviser dated 9 October 2020 referred to in the above paragraph headed "7. Experts and Consents" in this appendix; and
- (h) a copy of this circular.

11. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.



C CHENG HOLDINGS LIMITED
思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of C Cheng Holdings Limited (the “**Company**”) will be held at 6th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, on Wednesday, 28 October 2020 at 10:00 a.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

(a) each of:

- (i) the Sale and Purchase Agreement (as defined and described in the circular to the shareholders of the Company dated 9 October 2020, a copy of which has been produced to the EGM marked “A” and initialled by the Chairman of the EGM for the purpose of identification);
- (ii) the Shareholders’ Agreement (as defined and described in the circular to the shareholders of the Company dated 9 October 2020, a copy of which has been produced to the EGM marked “B” and initialled by the Chairman of the EGM for the purpose of identification);
- (iii) the Deed of Indemnity (as defined and described in the circular to the shareholders of the Company dated 9 October 2020, a copy of which has been produced to the EGM marked “C” and initialled by the Chairman of the EGM for the purpose of identification); and

NOTICE OF THE EGM

(iv) the Deed of Non-competition (as defined and described in the circular to the shareholders of the Company dated 9 October 2020, a copy of which has been produced to the EGM marked “D” and initialled by the Chairman of the EGM for the purpose of identification),

and the execution thereof and implementation of the transactions thereunder be and are hereby approved, ratified and confirmed; and

(b) any director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Sale and Purchase Agreement, the Shareholders’ Agreement, the Deed of Indemnity and the Deed of Non-competition and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to Sale and Purchase Agreement, the Shareholders’ Agreement, the Deed of Indemnity and the Deed of Non-competition which in his/her opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

By order of the Board
C Cheng Holdings Limited
Liang Ronald
Chairman and Executive Director

Hong Kong, 9 October 2020

Registered office:

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Principal place of business

in Hong Kong:
15th Floor, North Tower,
World Finance Centre,
Harbour City,
Tsim Sha Tsui,
Kowloon, Hong Kong

Notes:

(a) The register of members of the Company will be closed from Thursday, 22 October 2020 to Wednesday, 28 October 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 21 October 2020.

NOTICE OF THE EGM

- (b) Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).
- (d) Completion and delivery of the form of proxy shall not preclude member(s) of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should they so wish, and in such event, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.
- (e) Where there are joint registered holders of any Share(s), any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share(s) shall be accepted to the exclusion of the votes of the other joint holders.
- (f) If a tropical cyclone warning signal No. 8 or above is hoisted or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in force at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the website of the Company at www.cchengholdings.com and the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify members of the Company of the date, time and place of the adjourned meeting.

The EGM will be held as scheduled when an "amber" or "red" rainstorm warning signal is in force.

After considering their own situations, members should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

As at the date of this notice, the executive Directors are Mr. Liang Ronald, Mr. Liu Gui Sheng, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Ma Kwai Lam Lambert, and the independent non-executive Directors are Mr. Yu Chi Hang, Mr. Lo Wai Hung and Ms. Su Ling.

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.