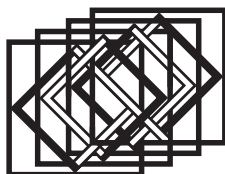

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Pak Tak International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of Pak Tak International Limited.



PAK TAK INTERNATIONAL LIMITED

(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders



Lego Corporate
Finance Limited
力高企業融資有限公司



Placing Agent

建銀國際
CCB International

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 44 of this circular.

A notice convening the SGM to be held at R2, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 12 March 2021 at 11:00 a.m. or any adjournment of such meeting is set out on pages 49 to 51 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed on it as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM (i.e., at or before 11:00 a.m. on Wednesday, 10 March 2021 (Hong Kong time)) or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment of such meeting should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

1. compulsory body temperature checks on each attendee;
2. compulsory wearing of a surgical face mask by each attendee;
3. physical distancing at the venue; and
4. no distribution of refreshments or drinks, or corporate gifts or gift coupons.

Please see page i of this circular for further details of the above precautionary measures.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be denied entry into the SGM venue. The Company reminds the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

CONTENTS

	<i>Page</i>
Precautionary Measures for the Special General Meeting	ii
Definitions	1
Letter from the Board	
1. Introduction.....	5
2. The Placing	6
3. Connected Transaction Involving the Subscription	10
4. Placing Price and Subscription Price	12
5. Restrictions on Disposal, Lock-up and Further Issues	13
6. Reasons for the Placing and the Subscription	14
7. Use of Proceeds.....	16
8. Fund-raising Activities of the Company in the Past 12 months	16
9. Changes to the Shareholding as a Result of the Placing and the Subscription ..	17
10. General.....	18
11. Closure of Register of Members	20
12. Recommendation	20
Letter from the Independent Board Committee.....	21
Letter from Lego	23
Appendix — General Information	45
Notice of Special General Meeting.....	49

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In the light of the continuing risks posed by COVID-19, the Company is adopting the following precautionary measures at the SGM in order to safeguard the health and safety of the Shareholders who might be attending the SGM in person:

1. compulsory temperature checks will be carried out on every attendee at the entrance of the SGM venue. Any person with a body temperature above 37.4 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the SGM venue and requested to leave the SGM venue;
2. every attendee will be required to wear a surgical face mask at the SGM venue and throughout the SGM. **Please note that no surgical face masks will be provided at the SGM venue and attendees should bring and wear their own masks;**
3. every attendee will be required to sit at a distance from the other attendees at the SGM venue and throughout the SGM; and
4. no refreshment or drinks, or corporate gifts or gift coupons will be provided to the attendees at the SGM.

To the extent permitted under the law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the other attendees at the SGM.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice. Shareholders should check the websites of the Company (www.paktakintl.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the SGM arrangements.

Voting by proxy in advance of the SGM: The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company encourages Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Physical attendance is not necessary for the purpose of exercising the voting rights of the Shareholders.

The deadline for submission of completed proxy forms is not less than 48 hours before the time appointed for the holding of the SGM, which is 11:00 a.m. on Wednesday, 10 March 2021 (Hong Kong time). In order to be valid, the completed proxy forms must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, in accordance with the instructions printed on it at or before the deadline.

Appointment of proxy by non-registered Shareholders: Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) for assistance in the appointment of proxies.

If Shareholders have any questions relating to the SGM, please contact the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, whose details are as follows:

Tricor Standard Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel : +852 2980 1333
Fax : +852 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business
“Company”	Pak Tak International Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2668)
“Completion Date”	the date of completion of the Placing and the Subscription, which shall be the third Business Day after the date on which all the conditions as set forth in the paragraphs headed “2. The Placing — Conditions precedent to the Placing” and the paragraphs headed “3. Connected Transaction Involving the Subscription — Conditions precedent to the Subscription” in the Letter from the Board in this circular are satisfied (or waived to the extent that they are capable of being waived) (other than any condition which is expressed to be fulfilled on or as at the completion date, but subject to the fulfilment or waiver of such condition), or such other date as the respective parties to the Placing Agreement and the Subscription Agreement may agree in writing. For the avoidance of doubt, completion of the Placing and completion of the Subscription shall take place simultaneously on the same date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“IFA” or “Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the connected transaction contemplated thereunder
“Independent Board Committee”	an independent Board committee comprising all independent non-executive Directors, to advise the Independent Shareholders on the Subscription Agreement and the connected transaction contemplated thereunder
“Independent Shareholders”	the Shareholders other than the Subscriber and its associates
“Latest Practicable Date”	18 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2021 (Hong Kong time), or such other date as the respective parties to the Placing Agreement and the Subscription Agreement may agree in writing
“Mr. Liao”	Mr. Liao Nangang (廖南鋼)
“Placee(s)”	any person or entity procured by the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of up to 720,000,000 new Shares by the Placing Agent
“Placing Agent”	CCB International Capital Limited, the placing agent appointed by the Company and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the agreement dated 20 January 2021 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$0.2 per Placing Share

DEFINITIONS

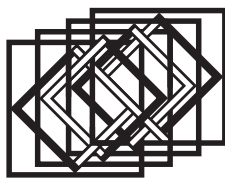
“Placing Shares”	up to 720,000,000 new Shares to be allotted and issued by the Company under the Placing
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“public”	has the meaning ascribed to it under the Listing Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at R2, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Friday, 12 March 2021 to consider and, if thought fit, approve the resolutions contained in the notice of the meeting which is set out on pages 49 to 51 of this circular, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Tengyue Holding Limited, a company incorporated in Hong Kong with limited liability, which is an investment holding company and a substantial shareholder which beneficially owned 28.00% of the issued share capital of the Company as at the Latest Practicable Date
“Subscription”	the subscription of Subscription Shares by the Subscriber at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20 January 2021 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.2 per Subscription Share

DEFINITIONS

“Subscription Shares”	280,000,000 new Shares to be allotted and issued by the Company to the Subscriber
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

** for identification purpose only*

LETTER FROM THE BOARD



PAK TAK INTERNATIONAL LIMITED

(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

Executive Directors:

Mr. Wang Jian (*Chairman and
Chief Executive Officer*)

Ms. Qian Pu

Mr. Ning Jie

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Law Fei Shing

Mr. Shin Yick Fabian

Principal place of business in

Hong Kong:

Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

Independent Non-executive Directors:

Mr. Chan Ngai Sang Kenny

Mr. Chan Kin Sang

Mr. Zheng Suijun

23 February 2021

To the Shareholders

Dear Sir or Madam,

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 January 2021 in relation to the Placing Agreement and the Subscription Agreement in relation to the Placing and the Subscription, respectively.

** for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Placing Agreement and the Subscription Agreement and the respective transaction contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder; (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder; and (iv) a notice convening the SGM.

2. THE PLACING

The Placing Agreement

Date

20 January 2021

Parties

Issuer : The Company

Placing Agent : CCB International Capital Limited

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Number of Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure, on a best effort basis and either by itself or through its sub-placing agents, the Placee(s) to subscribe for up to 720,000,000 new Shares having an aggregate nominal value of HK\$14,400,000 at the Placing Price of HK\$0.2 per Placing Share, representing (i) approximately 24.83% of the issued share capital of the Company as at the Latest Practicable Date; (ii) upon completion of the Placing (assuming that the Placing Shares are placed in full) but without taking into account completion of the Subscription (and further assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing), 19.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and (iii) upon completion of both the Placing (assuming that the Placing Shares are placed in full) and the Subscription (and further assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription), 18.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares.

LETTER FROM THE BOARD

Placees

It is expected that the Placing Shares will be placed to the Placees who or which are institutional, professional and/or other investors. The Placees shall not be connected persons of the Company, and shall be independent of, and not connected with or acting in concert (as defined in the Takeovers Code) with the Company, its connected persons and their respective associates. It is expected that none of the Placees will become a controlling shareholder of the Company immediately upon completion of the Placing and completion of the Subscription (which shall take place simultaneously).

As at the Latest Practicable Date, the identities of the Placees have not been confirmed.

Conditions precedent to the Placing

Completion of the Placing under the Placing Agreement is conditional upon, among other things, each of the following conditions being satisfied (or waived to the extent that it is capable of being waived) on or before the Long Stop Date:

- (i) the passing by the Board of the resolution(s) to approve the Placing Agreement and the transaction contemplated thereunder;
- (ii) the passing of the Shareholders' resolution(s) at the SGM to approve the Placing Agreement, the Subscription Agreement and the transaction contemplated thereunder, respectively, and the granting of the requisite specific mandates;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares and the Subscription Shares with or without conditions (and such listing and permission not subsequently being revoked);
- (iv) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing and the Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Placing and the Subscription (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing and the Subscription);
- (v) there being no halt or suspension in the trading of the Shares for any period from the date of the Placing Agreement until the Completion Date, except for suspension relating to any transaction under the Placing Agreement and the Subscription Agreement;
- (vi) the Subscription Price being the same amount as the Placing Price;
- (vii) the Subscription Agreement having become unconditional pursuant to the terms and conditions set out therein (except for the condition therein relating to the Placing Agreement having become unconditional pursuant to its terms and conditions);

LETTER FROM THE BOARD

- (viii) no circumstances where the status of the development in the restructuring of any notes by any member of the Group (or the issuer thereof), or any other circumstances of the Group, having occurred which has or would have a material adverse effect on the liquidity and solvency position of any member of the Group and is required to be publicly disclosed under any applicable laws and regulations, including but not limited to the Listing Rules and the SFO;
- (ix) all representations and warranties of the Company as set forth in the Placing Agreement remaining true, accurate and not misleading in all material aspects as at the Completion Date; and
- (x) the Placing Agreement not being terminated by the Placing Agent pursuant to the terms and conditions thereof.

In the event the above conditions are not fulfilled or, at the sole and absolute discretion of the Placing Agent, waived (to the extent it is capable of being waived) by the Long Stop Date, the Placing Agreement shall terminate, and all rights, obligations and liabilities of the Company and the Placing Agent thereunder in relation to the Placing shall cease and determine and both parties shall be released from all their respective obligations pursuant to the Placing Agreement and neither party shall have any claim against the other party in respect of the Placing save for any antecedent breach.

Notwithstanding the Long Stop Date of 30 June 2021 (Hong Kong time), it is the intention of the Board to complete the Placing as soon as practicable. Subject to approval by the Shareholders at the SGM, the Company will procure the completion of the Placing under the Placing Agreement to take place within one month after the SGM date. In the event of the completion of the Placing failing to take place within one month after the SGM date or any extension of the Long Stop Date (which will constitute a material change to the terms of the Placing Agreement), the Company shall re-comply with all relevant requirements under the Listing Rules, including Shareholders' approval.

Termination

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to 10:00 a.m. on the Completion Date (Hong Kong time) upon the occurrence of the following events which, in the sole and absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or

LETTER FROM THE BOARD

- (ii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's sole and absolute opinion, would affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group, if in the Placing Agent's sole and absolute opinion any such new law or change may adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's sole and absolute opinion would affect the success of the Placing; or
- (v) any breach of any of the representations and warranties of the Company set out in the Placing Agreement coming to the knowledge of the Placing Agent or any event occurring or any matter arising on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there being a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there being any material change (whether or not forming part of a series of changes) in market conditions which in the sole and absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (vii) a change or development occurring which involves a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or the PRC which would, in the sole and absolute opinion of the Placing Agent, have a material adverse effect on the Placing; or
- (viii) the Subscription Agreement having been terminated pursuant to the terms and conditions therein.

Upon the giving of the notice as referred to above, all respective obligations of the Company and the Placing Agent under the Placing Agreement shall cease and determine, and neither party therein shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement, except for any antecedent breach of any obligation under the Placing Agreement and any liabilities relating to commissions and expenses and indemnification under the Placing Agreement.

LETTER FROM THE BOARD

Completion of the Placing

Completion of the Placing shall take place on the third Business Day after the date on which all the conditions as set forth in the paragraphs headed “2. The Placing — Conditions precedent to the Placing” in this Letter from the Board are satisfied (or waived to the extent that they are capable of being waived) (other than any condition which is expressed to be fulfilled on or as at the Completion Date, but subject to the fulfilment or waiver of such condition), or such other date as the Company and the Placing Agent may agree in writing. Completion of the Placing and completion of the Subscription shall take place simultaneously. Further announcement will be made by the Company upon completion of the Placing.

Rights and ranking of the Placing Shares

The Placing Shares, when issued and fully paid up, shall rank *pari passu* in all respects among themselves and with the other Shares in issue as at the date of allotment and issue, together with all rights attaching thereto as at the date of allotment and thereafter (including the right to receive all future dividends and other distributions thereafter declared, made or paid on the Shares).

3. CONNECTED TRANSACTION INVOLVING THE SUBSCRIPTION

The Subscription Agreement

Date

20 January 2021

Parties

Issuer : The Company

Subscriber : Tengyue Holding Limited

As at the Latest Practicable Date, the Subscriber is a substantial shareholder which beneficially owns 812,000,000 Shares, representing 28.00% of the issued share capital of the Company, and hence a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to allot and issue 280,000,000 new Shares having an aggregate nominal value of HK\$5,600,000 at the Subscription Price of HK\$0.2 per Subscription Share, representing (i) approximately 9.66% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) upon completion of both the Placing (assuming that the Placing Shares are placed in full) and the Subscription (and further assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription), approximately 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares.

Conditions precedent to the Subscription

Completion of the Subscription is conditional upon, among other things:

- (i) the Placing Agreement having become unconditional pursuant to the terms and conditions set out therein (except for the condition therein relating to the Subscription Agreement having become unconditional pursuant to its terms and conditions);
- (ii) the listing of and permission to deal in all the Subscription Shares and the Placing Shares being granted by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares and/or the Placing Shares);
- (iii) the Independent Shareholders approving the Subscription and the related transaction contemplated thereunder at the SGM;
- (iv) the Subscription Agreement not having been terminated by the parties pursuant to the terms and conditions thereof; and
- (v) all representations, warranties and undertakings of the Company and the Subscriber remaining true, accurate and not misleading in all material aspects as at the Completion Date.

If the above conditions are not fulfilled by the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties therein will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

LETTER FROM THE BOARD

Notwithstanding the Long Stop Date of 30 June 2021 (Hong Kong time), it is the intention of the Board to complete the Subscription as soon as practicable. Subject to approval by the Independent Shareholders at the SGM, the Company will procure the completion of the Subscription under the Subscription Agreement to take place within one month after the SGM date. In the event of the completion of the Subscription failing to take place within one month after the SGM date or any extension of the Long Stop Date (which will constitute a material change to the terms of the Subscription Agreement), the Company shall re-comply with all relevant requirements under the Listing Rules, including Independent Shareholders' approval.

Termination

Each of the Company and the Subscriber shall be entitled by notice given to the other at any time prior to the Completion Date to terminate the Subscription Agreement, whereby the Subscription Agreement shall terminate and be of no further effect and neither party therein shall be under any liability to the other in respect of the Subscription Agreement other than in respect of any liabilities which have arisen prior to such termination.

Completion of the Subscription

Completion of the Subscription shall take place on the third Business Day after the date on which all the conditions as set forth in the paragraphs headed "3. Connected Transaction Involving the Subscription — Conditions precedent to the Subscription" in this Letter from the Board are fulfilled (other than any condition which is expressed to be fulfilled on or as at the Completion Date, but subject to the fulfilment of such condition), or such later time and/or date as the Company and the Subscriber may agree in writing, subject to delivery to the Company of an application for the Subscription Shares signed by the Subscriber or such other person(s) as nominated by the Subscriber. Completion of the Placing and completion of the Subscription shall take place simultaneously. Further announcement will be made by the Company upon completion of the Subscription.

Rights and ranking of the Subscription Shares

The Subscription Shares will, when fully paid, rank *pari passu* in all respects among themselves and with the other Shares in issue as at the Completion Date, including the rights to all dividends and other distributions declared, made or paid at any time on or after the Completion Date.

4. PLACING PRICE AND SUBSCRIPTION PRICE

Each of the Placing Price and the Subscription Price is fixed at HK\$0.2 per Placing Share and Subscription Share, respectively, which represents:

- (i) a discount of approximately 1.96% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on 20 January 2021, being the date on which the terms of the Placing and the Subscription we are fixed and the Placing Agreement and the Subscription Agreement we are entered into by the parties therein;

LETTER FROM THE BOARD

- (ii) a discount of approximately 10.15% to the average closing price of HK\$0.2226 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 20 January 2021, being the date on which the Placing Price and the Subscription Price we are fixed and the Placing Agreement and the Subscription Agreement we are entered into by the parties therein; and
- (iii) a premium of approximately 19.76% over the net asset value attributable to the Shareholders as at 30 June 2020 of approximately HK\$0.167 per Share, calculated based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK\$484,526,000 as at 30 June 2020 and the total number of issued Shares of 2,900,000,000 as at the date of the Placing Agreement and the Subscription Agreement.

Based on the Placing Price and the Subscription Price, the Placing and the Subscription will have a theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 2.61%. Accordingly, the Company shall not be restricted from conducting the Placing and the Subscription under Rule 7.27B of the Listing Rules.

Taking into account the expenses of the Placing in the amount of approximately HK\$1.4 million, the net price of each Placing Share to the Company is approximately HK\$0.198 per Placing Share.

Taking into account the expenses of the Subscription in the amount of approximately HK\$0.4 million, the net price of each Subscription Share to the Company is approximately HK\$0.199 per Subscription Share.

The Placing Price and the Subscription Price were arrived at after arm's length negotiations between the Company and the Placing Agent or the Subscriber (as the case may be) with reference to the recent market prices of the Shares and the current market conditions.

5. RESTRICTIONS ON DISPOSAL, LOCK-UP AND FURTHER ISSUES

The Placing Shares and the Subscription Shares are not subject to any lock-up or other disposal restrictions under the terms of the Placing Agreement or the Subscription Agreement (as the case may be).

The Placing Agreement and the Subscription Agreement do not contain any restriction on any further issue of securities by the Company.

LETTER FROM THE BOARD

6. REASONS FOR THE PLACING AND THE SUBSCRIPTION

To the best of the knowledge of the Directors, Mr. Liao acquired the entire issued share capital of Beyond Glory Holdings Limited, the holding company of the Subscriber, in September 2020. Upon becoming a substantial shareholder of the Company, Mr. Liao was keen to make a further contribution to the business development of the Group. Noting that the Company had issued unlisted bonds with the aggregate principal amount of HK\$190 million which were due to be repaid in March 2021 and that the amount of liquid assets being held by the Group which could be applied to the imminent repayment of such bonds was limited, Mr. Liao was minded to provide financial support for the Group by way of subscription of new Shares and approached the Board to explore the practicalities.

Mr. Liao and the Subscriber, on the other hand, had no intention to make a mandatory general offer for all the issued Shares under Rule 26.1 of the Takeovers Codes, which could possibly be triggered as a result of the proposed share subscription given the Subscriber's existing shareholding in the Company of 28.00%. Hence, it was decided that a placing of new Shares should be conducted in parallel with the share subscription, such that the Subscriber's shareholding in the Company could be maintained at the existing level. As far as the placing of new Shares was concerned, the Directors also considered that simultaneous subscription of additional Shares by an existing substantial shareholder of the Company would project positivity and inspire confidence in prospective investors in relation to the future business development of the Group, and thereby increase the prospects of the placing.

The Directors had considered the feasibility of alternative fund-raising methods, such as debt financing, and other forms of equity financing including an open offer and a rights issue.

The Directors noted that further debt financing might be subject to due diligence by and negotiations with the banks or financial institutions, where the Group's financial position (where the Group recorded a net loss of approximately HK\$9.1 million for the year ended 31 December 2018 and a net profit of HK\$54.5 million for the year ended 31 December 2019, and a high level of indebtedness with its gearing ratio reaching 94.7% as at 30 June 2020) would be subject to scrutiny and the then financial market condition would be considered. Significant finance charges might come with any additional borrowing due to the high level of indebtedness maintained by the Group in the recent financial years and periods, rendering further debt financing unlikely to be a cost-effective alternative from the Group's perspective.

LETTER FROM THE BOARD

As regards an open offer or a rights issue, while they would allow all existing Shareholders to participate in the subscription of new Shares to be issued by the Company and maintain their respective shareholding in the Company, the downside is that these forms of equity financing are more complex exercises involving (i) identification and engagement of underwriter(s) and negotiations of underwriting terms; (ii) substantial administrative work to be undertaken before completion, such as preparation and issue of offering documents (including prospectus, allotment letters and application forms), and preparation of unaudited pro forma financial information for inclusion in the prospectus; and (iii) considerable additional costs, such as fees and charges of reporting accountants, legal advisers, financial advisers and brokerage agents, printing charges in connection with the offering documents, and costs associated with registration and despatch of new Shares to a large number of Shareholders. The Directors also noted that the Shares had relatively low liquidity and exhibited a general decreasing price trend in the preceding 12-month period, and the existing public Shareholders might not be highly motivated to participate in a pre-emptive issue of Shares, which would likely inhibit the Company from raising sufficient net proceeds to meet its bond-repayment obligations.

In the light of the above, the Directors resolved that the Subscription and the Placing would be the most efficient, practicable and cost-effective and hence preferable methods to address the Group's prevailing capital needs. Therefore, the Company accepted Mr. Liao's proposal for share subscription and approached the Placing Agent for assistance in procurement of Placees. It was agreed between the Company, the Placing Agent and the Subscriber that the Placing Agreement and the Subscription Agreement would be entered into on the same date, and the Placing and the Subscription thereunder should be inter-conditional and completed simultaneously.

The Directors consider that it is in the interests of the Company to raise capital from the equity market via the Placing and the Subscription in order to maintain the cash flow position of the Group, and to enhance the capital and Shareholder bases of the Company for the long-term development and further strengthening of the financial position of the Group.

The Directors (including the independent non-executive Directors) consider that the Placing Agreement was entered into upon normal commercial terms, following arm's length negotiations between the parties, and that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, the Directors (including the independent non-executive Directors) consider that the Subscription reflects the confidence and commitment of the Subscriber towards the long-term and sustainable development of the Group, and are of the view that (i) the Subscription Agreement was entered into upon normal commercial terms, following arm's length negotiations between the parties, and that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the connected transaction contemplated under the Subscription Agreement, although not being in the ordinary and usual course of business of the Group, is based on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

No Director has or is deemed to have a material interest in the Placing Agreement, the Subscription Agreement or the respective transaction contemplated thereunder and was required to abstain from voting on the resolutions of the Board approving the same in accordance with the Bye-laws of the Company.

7. USE OF PROCEEDS

The gross proceeds from the Placing and Subscription are expected to be approximately HK\$200 million in aggregate. After deducting related professional fees and all related expenses of about HK\$1.8 million that shall be borne by the Company in connection with the Placing and the Subscription, the net proceeds from the Placing and Subscription will amount to approximately HK\$198.2 million, which are expected to be entirely used for the repayment of the unlisted bonds with the aggregate principal amount of HK\$190 million which were issued by the Company on 18 July 2019 and 15 October 2019 and will mature on 17 March 2021, and payment of the interests thereon in the aggregate amount of approximately HK\$21.5 million. Any remaining amounts of the principal of the bonds and/or the interests thereon shall be repaid and paid using the Company's internal resources.

Upon full repayment of the unlisted bonds as mentioned above, the Directors expect that the Group's outstanding debts will amount to approximately HK\$471.3 million carrying an interest rate ranging from 5.40% to 10.00%, among which debts of HK\$437.60 million will mature in the year ending 31 December 2021 and the remaining debts of HK\$33.7 million will mature after the year ending 31 December 2021.

The Directors expect that upon completion of the Placing and the Subscription, the net proceeds can satisfy the Group's expected needs for equity-financing for the coming 12 months. As at the Latest Practicable Date, the Directors had no immediate plan to raise any funds through any issue of equity securities other than the Placing and the Subscription.

Further debt financing, such as issuance of unlisted bonds and banking facilities, may be conducted or utilised from time to time depending on the Group's prevailing needs in its ordinary and usual course of business operations, including among others the needs to strengthen the Group's financial resources and working capital base in connection with the continuous expansion of its supply chain business.

8. FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not raised any funds through any issue of equity securities during the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

9. CHANGES TO THE SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

As at the Latest Practicable Date, the Company has 2,900,000,000 Shares in issue. Set forth below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Placing but without taking into account completion of the Subscription; and (iii) immediately after completion of both the Placing and the Subscription, in each case assuming that all of the Placing Shares will be placed to the Placees and that there is no further change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription:

Name of Shareholder	At the Latest Practicable Date		Immediately after completion of the Placing but without taking into account completion of the Subscription		Immediately after completion of both the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders						
Subscriber (<i>Note 1</i>)	812,000,000	28.00	812,000,000	22.43	1,092,000,000	28.00
Massive Thriving Limited (<i>Note 2</i>)	546,953,000	18.86	546,953,000	15.11	546,953,000	14.02
Public Shareholders						
Placees	—	—	720,000,000	19.89	720,000,000	18.46
Other public Shareholders	1,541,047,000	53.14	1,541,047,000	42.57	1,541,047,000	39.52
Total	2,900,000,000	100.00	3,620,000,000	100.00	3,900,000,000	100.00

Notes:

1. As at the Latest Practicable Date, the Subscriber is wholly owned by Beyond Glory Holdings Limited, which is in turn wholly owned by Mr. Liao.
2. As at the Latest Practicable Date, Massive Thriving Limited is wholly owned by Mr. Wang Jian, the chairman of the Board, an executive Director and the chief executive officer of the Company.
3. The information presented in the table above is based on
 - (i) the disclosures of interest made by the relevant shareholders pursuant to the requirements under Part XV of the SFO up to the Latest Practicable Date; and
 - (ii) the assumption that there will be no change in the share capital and shareholding structure of the Company between the Latest Practicable Date and the date of completion of the Placing and the Subscription other than the allotment and issue of the Placing Shares and the Subscription Shares.

LETTER FROM THE BOARD

10. GENERAL

Information of the parties

The Company is an investment holding company. The Group as a whole is principally engaged in supply chain business, leasing business, property investment and consultancy, money lending business and securities investment.

To the best of the knowledge of the Directors, the Subscriber, which is a substantial shareholder of the Company as at the Latest Practicable Date, is a private company limited by shares and incorporated in Hong Kong that is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber is wholly owned by Beyond Glory Holdings Limited, which is in turn wholly owned by Mr. Liao.

Shareholders' approval

The Placing is subject to Shareholders' approval. The Placing Shares will be allotted and issued under a specific mandate to be proposed for approval by the Shareholders by way of an ordinary resolution at the SGM.

The Subscription is subject to Independent Shareholders' approval. The Subscription Shares will be allotted and issued under a specific mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the SGM.

Implications under the Listing Rules

As at the Latest Practicable Date, the Subscriber is a substantial shareholder which beneficially owned 812,000,000 Shares, representing 28.00% of the issued share capital of the Company, and hence a connected person of the Company under the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened at R2, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on 12 March 2021 to consider and, if thought fit, approve the Placing Agreement, the Subscription Agreement, the respective transaction contemplated thereunder and the requisite specific mandates. A notice of the SGM is set out on pages 49 to 51 of this circular.

Pursuant to Rule 13.39 of the Listing Rules, all resolutions to be proposed at the SGM will be taken by poll, the results of which will be announced after the SGM.

LETTER FROM THE BOARD

In accordance with the Listing Rules, the Subscriber, being materially interested in the connected transaction contemplated under the Subscription Agreement, and its associates will be required to abstain from voting on the resolution to approve the Subscription Agreement, the connected transaction contemplated thereunder and the requisite specific mandate at the SGM.

Given that the Placing and the Subscription are inter-conditional, the Subscriber is deemed to have a material interest in the transaction contemplated under the Placing Agreement. Accordingly, in accordance with the Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution to approve the Placing Agreement, the transaction contemplated thereunder and the requisite specific mandate at the SGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the respective transaction contemplated under the Placing Agreement or the Subscription Agreement and will be required to abstain from voting on the resolutions to approve the Subscription Agreement, the Placing Agreement, the respective transaction contemplated thereunder and the requisite specific mandates at the SGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the Subscriber beneficially owned and controlled the voting rights in respect of 812,000,000 Shares, representing 28.00% of the total number of Shares in issue as at the Latest Practicable Date, and the Subscriber was wholly owned by Beyond Glory Holdings Limited, which was in turn wholly owned by Mr. Liao.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Subscription Agreement and the connected transaction contemplated thereunder, and Lego Corporate Finance Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

A form of proxy for use at the SGM is also enclosed. If you are unable to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time appointed for holding the SGM (i.e. at or before 11:00 a.m. on Wednesday, 10 March 2021 (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment of such meeting should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares.

LETTER FROM THE BOARD

11. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 9 March 2021 to Friday, 12 March 2021, both dates inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the meeting, all instruments of transfer, accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 March 2021.

12. RECOMMENDATION

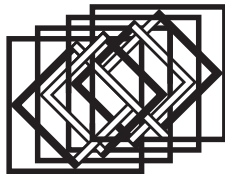
Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its advice to the Independent Shareholders in connection with the Subscription Agreement and the connected transaction contemplated thereunder; (ii) the letter from the IFA set out on pages 23 to 44 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the connected transaction contemplated thereunder, and the principal factors and reasons taken into consideration in arriving at its advice; and (iii) the additional information set out in the Appendix to this circular.

The Board (including the Independent Board Committee) considers that the Placing Agreement, the Subscription Agreement and the respective transaction contemplated thereunder are in the best interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions in the terms as set out in the notice of the SGM.

Yours faithfully,
By order of the Board
Pak Tak International Limited
Wang Jian
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Subscription Agreement and the connected transaction contemplated thereunder.



PAK TAK INTERNATIONAL LIMITED

(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

23 February 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 23 February 2021 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. The IFA has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons the IFA has taken into consideration in giving such advice, are set out in the “Letter from the Lego” 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 appendix thereto.

** for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Subscription Agreement and the connected transaction contemplated thereunder and the advice of the IFA, we are of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, and the connected transaction contemplated thereunder, although not being in the ordinary and usual course of business of the Group, is based on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolutions to be proposed at the SGM to approve Subscription Agreement and the connected transaction contemplated thereunder.

Yours faithfully,
For and on behalf of

Independent Board Committee

Chan Ngai Sang Kenny Chan Kin Sang Zheng Suijun
Independent Non-executive Directors

LETTER FROM LEGO

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Subscription, which has been prepared for the purpose of inclusion in this circular.



23 February 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 February 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 20 January 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to allot and issue 280,000,000 new Shares having an aggregate nominal value of HK\$5,600,000 at the Subscription Price of HK\$0.2 per Subscription Share, representing (i) approximately 9.66% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) upon completion of both the Placing (assuming that the Placing Shares are placed in full) and the Subscription (and further assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription), approximately 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares.

LETTER FROM LEGO

As at the Latest Practicable Date, the Subscriber beneficially held 812,000,000 Shares, representing approximately 28.00% of the issued share capital of the Company and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. The transaction contemplated under the Subscription Agreement entered into between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the announcement, circular, Independent Shareholders' approval and reporting requirements pursuant to Chapter 14A of the Listing Rules. The Subscriber and its associates will be required to abstain from voting in respect of the relevant resolution(s) approving the Subscription Agreement, the connected transaction contemplated thereunder and the requisite specific mandate at the SGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM to approve the Subscription Agreement and the connected transaction contemplated thereunder. As the IFA, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or the Subscriber that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited as the IFA. In the two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the IFA, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Subscription Agreement and the connected transaction contemplated thereunder.

LETTER FROM LEGO

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the SGM and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with the Listing Rules until the SGM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Subscription, we have considered the following principal factors and reasons:

1. Background information of the Group and the Subscriber

The Company is incorporated in Bermuda as an exempted company with limited liability, and the Shares have been listed on the Stock Exchange since 6 December 2001.

The Group as a whole is principally engaged in supply chain business, leasing business, property investment and consultancy, money lending business and securities investment.

To the best of the knowledge of the Directors, the Subscriber, which is a substantial shareholder of the Company as at the Latest Practicable Date, is a private company limited by shares and incorporated in Hong Kong that is principally engaged in investment holding.

LETTER FROM LEGO

2. Financial information of the Group

Finance performance

The following table summarises the financial performance of the Group for the nine months ended 31 December 2017 and year ended 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the restated financial results of the Group for the year ended 31 December 2018 and the financial results of the Group for the year ended 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), respectively.

	For the nine months ended 31 December 2017 (Note 1) HK\$'000 (audited)	For the years ended 31 December 2018 HK\$'000 (audited)	2018 HK\$'000 (audited and restated)	2019 HK\$'000 (audited)
Revenue	751,469	1,358,821	1,080,517	1,466,328
Segment revenue				
Sales of goods	734,008	1,323,798	1,045,592	1,433,446
Loan interest income	2,880	3,906	3,906	4,314
Finance lease income	4,180	7,421	7,421	8,460
Rental income	1,443	4,434	4,434	4,895
Gains on disposals of financial assets at fair value through profit or loss	8,520	7,825	7,825	—
Consultancy fee income	237	11,339	11,339	11,963
Handling fee income	—	—	—	3,250
Sub-contracting income	201	98	—	—
Profit from operations	65,475	10,155	19,412	47,315
Profit/(loss) from continuing operations	38,089	(9,054)	3,049	31,481
Profit/(loss) for the year/period from discontinued operations (Notes 2 and 3)	(7,581)	N/A	(12,103)	23,030
Profit/(loss) for the year/period	30,508	(9,054)	(9,054)	54,511

LETTER FROM LEGO

Notes:

1. Pursuant to the announcement of the Company dated 6 December 2017, it has resolved to change the financial year end date of the Company from 31 March to 31 December.
2. On 1 August 2017, the Group entered into an equity transfer agreement (the “**2017 Equity Transfer Agreement**”) with the purchaser pursuant to which the Group has conditionally agreed to dispose of the entire equity interest in Shenzhen Taihe Yutong New Energy Technology Company Limited and its subsidiaries (the “**Taihe Group**”) involving in new energy development business for a cash consideration of RMB38,000,000 (equivalent to HKD44,600,600) to the purchaser (the “**2017 Disposal**”). Completion of the 2017 Disposal under the 2017 Equity Transfer Agreement took place on 26 September 2017 on which date control of the Taihe Group was passed to the purchaser. After the completion of the 2017 Disposal, the Taihe Group ceased to be subsidiaries of the Company and the assets, liabilities and financial results of the Taihe Group are no longer consolidated in the consolidated financial statements of the Group.
3. On 31 May 2019, the Group entered into an equity transfer agreement (the “**2019 Equity Transfer Agreement**”) with a purchaser pursuant to which the Group has agreed to dispose of the entire equity interest in Mega Grade Holdings Limited and its subsidiaries (the “**Mega Grade Group**”) involving in manufacturing and trading of garments business for a cash consideration of RMB10,000 (equivalent to HKD11,364) to the purchaser (the “**2019 Disposal**”). Completion of the 2019 Disposal under the 2019 Equity Transfer Agreement took place on 31 May 2019 on which date control of the Mega Grade Group was passed to the purchaser. After the completion of the 2019 Disposal, the Mega Grade Group ceased to be subsidiaries of the Company and the assets, liabilities and financial results of the Mega Grade Group are no longer consolidated in the condensed consolidated financial statements of the Group.

For the nine months ended 31 December 2017 and the year ended 31 December 2018

Revenue of the Group increased significantly from approximately HK\$751.5 million for the nine months ended 31 December 2017 to approximately HK\$1,358.8 million for the year ended 31 December 2018, representing an increase of approximately 80.8%. Such increase was mainly attributable to (i) the sharp increase in trading of non-ferrous metals, and recorded the revenue in general trading of HK\$1,045.6 million for the year ended 31 December 2018 as compared with HK\$542.8 million for the nine months ended 31 December 2017; and (ii) the increase in consultancy fee income of approximately HK\$11.2 million from approximately HK\$0.2 million for the nine months ended 31 December 2017 to approximately HK\$11.4 million for the year ended 31 December 2018.

However, the Group made a loss of approximately HK\$9.1 million for the year ended 31 December 2018 as compared to a profit of approximately HK\$38.1 million for the nine months ended 31 December 2017 from its continuing operations. It was mainly because (i) the Group’s direct costs and operating expenses considerably increased by approximately HK\$581.4 million from approximately HK\$727.6 million for the nine months ended 31 December 2017 to approximately HK\$1,309.0 million for the year ended 31 December 2018, mainly due to (a) the significant growth in general trading in which the revenue from general trading was accounted for approximately 76.9% of the Group’s total revenue; and (b) the Group’s administrative expenses from continuing operations increased by approximately HKD14.4 million from approximately HKD33.4 million for nine months ended 31 December 2017 to approximately HKD47.8 million for the year ended 31 December 2018, as a result of the change in financial year end date.

LETTER FROM LEGO

For the years ended 31 December 2018 and 2019

Revenue of the Group increased from approximately HK\$1,080.5 million for the year ended 31 December 2018 to approximately HK\$1,466.3 million for the year ended 31 December 2019, representing an increase of approximately 35.7%. As stated in the 2019 Annual Report, such increase was mainly attributable to the expansion in the supply chain business, which recorded an increase of approximately HK\$399.8 million in the year ended 31 December 2019 as compared to that in the year ended 31 December 2018.

For the year ended 31 December 2019, the Group recorded a net profit of approximately HKD54.5 million as compared to a net loss of approximately HKD9.1 million for the year ended 31 December 2018. Such turnaround from net loss to net profit was mainly attributable to (i) the profit contribution in the supply chain business of approximately HKD28.5 million; (ii) the positive impact arising from profit sharing of approximately HKD7.9 million of the results of Golden Affluent Limited against its loss sharing of approximately HKD4.0 million for the year ended 31 December 2018; and (iii) the one-off gain of approximately HKD35.9 million arising from the disposal of the garment business companies which was completed in May 2019.

Financial position

The following table summarises the financial positions of the Group as at 31 December 2017 and 31 December 2018 as extracted from the 2018 Annual Report, that as at 31 December 2019 as extracted from 2019 Annual Report and that as at 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

	As at 31 December		As at 30 June	
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Net current assets/(liabilities)	378,738	(10,154)	7,126	25,385
Total assets	1,026,619	868,167	1,072,113	1,436,846
Total liabilities	512,477	410,372	577,652	952,320
Net assets	514,142	457,795	494,461	484,526

The liquidity position of the Group has been fluctuating as at the recent financial year/period end dates, which the net current assets position of approximately HK\$378.7 million as at 31 December 2017 had dropped significantly as net current liabilities position of approximately HK\$10.2 million as at 31 December 2018 and rebounded to net current assets positions of approximately HK\$7.1 million as at 31 December 2019 and approximately HK\$25.4 million as at 30 June 2020.

LETTER FROM LEGO

As at 31 December 2018, total assets of the Group amounted to approximately HK\$868.2 million, of which trade and bills receivables and property, plant and equipment amounted to approximately HK\$38.2 million and HK\$86.5 million, respectively, representing approximately 4.4% and 10.0% of the total assets of the Group. As at 31 December 2018, total liabilities of the Group amounted to approximately HK\$410.4 million, of which bonds, total borrowings and overdraft amounted to approximately HK\$323.9 million and represented approximately 78.9% of the total liabilities of the Group.

As at 31 December 2019, total assets of the Group amounted to approximately HK\$1,072.1 million, of which trade receivables and property, plant and equipment amounted to approximately HK\$333.9 million and HK\$69.9 million, respectively, representing approximately 31.1% and 6.5% of the total assets of the Group. As at 31 December 2019, total liabilities of the Group amounted to approximately HK\$577.7 million, of which bonds, total borrowings and overdraft amounted to approximately HK\$461.6 million and represented approximately 79.9% of the total liabilities of the Group.

As at 30 June 2020, total assets of the Group amounted to approximately HK\$1,436.8 million, of which trade receivables and property, plant and equipment amounted to approximately HK\$364.9 million and HK\$73.9 million, respectively, representing approximately 25.4% and 5.1% of the total assets of the Group. As at 30 June 2020, total liabilities of the Group amounted to approximately HK\$952.3 million, of which bonds, total borrowings and overdraft amounted to approximately HK\$458.7 million and represented approximately 48.2% of the total liabilities of the Group.

We note that the Group has been considerably leveraged with a high level of outstanding borrowings (including bonds, borrowings and overdrafts) and resulted in a high gearing ratio (calculated as a ratio of total borrowings over equity attributable to the Shareholders), from approximately 82.9% as at 31 December 2017 to approximately 70.8% as at 31 December 2018 and further raised to approximately 93.4% and 94.7% as at 31 December 2019 and 30 June 2020, respectively.

LETTER FROM LEGO

Cash flow

The following table summarises the condensed cashflow statements of the Group for the nine months ended 31 December 2017 and the year ended 31 December 2018 from the 2018 Annual Report, that for the year ended 31 December 2019 from the 2019 Annual Report and that for the six months ended 30 June 2020 from the 2020 Interim Report:

	For the nine months ended 31 December 2017 HK\$'000 (audited)	For the years ended 31 December 2018 2019 HK\$'000 (audited)	For the six months ended 30 June 2020 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(64,803)	38,066	(217,153)
Net cash used in investing activities	(168,159)	(327,667)	(671)
Net cash (used in)/generated from financing activities	650,669	(100,943)	201,889
Net change in cash and cash equivalents	417,707	(390,544)	(15,935)
Cash and cash equivalents as at year/period end	516,028	121,287	105,034
			47,084

After the year ended 31 December 2017, the Group has been recording a net decrease in cash and cash equivalents for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 in which the cash and cash equivalents of the Group decreased from approximately HK\$516.0 million as at 31 December 2017 to approximately HK\$121.3 million as at 31 December 2018 and further decreased from approximately HK\$105.0 million as at 31 December 2019 to approximately HK\$47.1 million as at 30 June 2020.

For the year ended 31 December 2018, the Group's net decrease in cash and cash equivalents was approximately HK\$390.5 million, which was the combine effect of (i) net cash used in investing activities of approximately HK\$327.7 million, which was mainly due to (a) the net cash outflow arising on acquisition of an associate of approximately HK\$168.2 million; and (b) payment for purchase of equity securities of approximately HK\$119.2 million; (ii) net cash used in financing activities of approximately HK\$100.9 million, which was mainly the net result of the proceeds from borrowings and issuance of bond and repayment of borrowings and the incurred interest, mitigated by net cash generated from operating activities of approximately HK\$38.1 million.

LETTER FROM LEGO

For the year ended 31 December 2019, the Group's net decrease in cash and cash equivalents was approximately HK\$15.9 million, which was mainly due to the net cash used in operating activities of approximately HK\$217.2 million, mitigated by the net cash generated from financing activities of approximately HK\$201.9 million, which included the proceeds from new loans and issuance of bond amounted to approximately HK\$465.0 million and the advance from a shareholder of HK\$70.0 million.

For the six months ended 30 June 2020, the Group's net decrease in cash and cash equivalents was approximately HK\$50.1 million, which was mainly due to (i) the net cash used in investing activities of approximately HK\$285.4 million; and (ii) the net cash used in financing activities of approximately HK\$8.6 million, mitigated by the net cash generated from operating activities of approximately HK\$243.9 million.

3. Reasons for and benefits of the Subscription and use of proceeds

As stated in the Letter from the Board, the Directors consider that it is in the interests of the Company to raise capital from the equity market via the Placing and the Subscription in order to maintain the cash flow position of the Group, and to enhance the capital and shareholders' base of the Company for the long-term development and further strengthen its financial position.

As discussed in the section headed "2. Financial information of the Group" in this letter, the Group has been maintaining at a high level of indebtedness. In order to lower the indebtedness level and the interest burden of the Company so as to improve the business performance and provide better returns to the Shareholders, it is of imminent needs for the Company to conduct fund raisings. In particular, due to the nature of the Group's finance leasing and money lending businesses, the Group is required to maintain certain level of liquidity so as to grasp business opportunity when it arises.

As set out in the Letter from the Board, the gross proceeds from the Placing and the Subscription will amount to approximately HK\$200 million in aggregate. After deducting related professional fees and all related expenses of about HK\$1.8 million that shall be borne by the Company in connection with the Placing and Subscription, the net proceeds from the Placing and Subscription will amount to approximately HK\$198.2 million, which are expected to be entirely used for the repayment of the unlisted bonds with the aggregated principal amount of HK\$190 million which were issued by the Company on 18 July 2019 and 15 October 2019 and will mature on 17 March 2021, and payment of the interests thereon in the aggregate amount of approximately HK\$21.5 million. The remaining amounts of the principal of the bonds and/or the interests thereon, if any, shall be repaid and paid using the Company's internal resources.

As at 31 December 2019, the total borrowings and overdraft of the Group amounted to approximately HK\$494.5 million. Considering the Group's high level of indebtedness with gearing ratio of approximately 93.4% as at 31 December 2019, the Company plans to strengthen the financial position of the Company and reduce its interest burden by the repayment of debt.

LETTER FROM LEGO

As advised by the management of the Group, the maturity date of the two unlisted bonds with 7% and 7.5% per annum fixed coupon rate, with approximately HK\$189.9 million principal amounts (the “**Bonds**”) in aggregated will expire on 17 March 2021 if no further supplementary agreements are entered into between the Company and bond subscriber to extend the maturity day.

For each of the nine months ended 31 December 2017 and year ended 31 December 2019, the Group recorded net cash used in operating activities. As at 30 June 2020, the Company only had cash and cash equivalents of approximately HK\$47.1 million. It is expected that the Company may not have sufficient fund to repay the Bonds as they fall due, and in any event it may not be commercially viable for the Group to utilise its operating cashflow to meet the repayment obligation for the Bonds.

In addition, the finance costs amounted to approximately HK\$6.6 million, HK\$8.4 million and HK\$13.7 million of the Group for the nine months ended 31 December 2017, and years ended 31 December 2018 and 2019, respectively, which accounted for approximately 0.9%, 0.8%, 0.9% of the total revenue for the years/period, respectively. The repayment of Bonds by way of Subscription will improve the profitability of the Group as a whole.

Financing alternatives of the Group

According to the Letter from the Board, the Company did not carry out any equity fund raising activities involving the issuance of equity securities in the past 12 months immediately preceding the Latest Practicable Date.

Other than the Placing and the Subscription, the Company has also considered the feasibility of various fund-raising methods such as (i) debt financing; and (ii) other forms of equity financing (such as open offer and right issue) as detailed below.

(a) Debt financing

The Group has recorded a loss of approximately HK\$9.1 million for the year ended 31 December 2018 and a net profit of approximately HK\$54.5 million for the year ended 31 December 2019. In addition, the Group has also recorded a high level of indebtedness, with its gearing ratio (calculated as a ratio of total borrowings over equity attributable to the Shareholders) demonstrated in a high level, from approximately 82.9% as at 31 December 2017 to approximately 70.8% as at 31 December 2018 and further raised to approximately 93.4% and 94.7% as at 31 December 2019 and 30 June 2020, respectively.

The Directors considered that further debt financing may give rise to additional financing costs and increase the interest burden of the Group and may be subject to complicated due diligence and negotiations with banks or financial institutions taking into account the Group’s financial position as discussed above and the then financial market condition. As the Group has recorded consecutive high indebtedness and gearing ratio during the recent financial years, it may not be practicable for the Company to obtain additional debt financing in a cost-effective manner and additional finance charges may be incurred.

LETTER FROM LEGO

(b) *Other forms of equity financing*

Notwithstanding that both open offer and rights issue would allow the Shareholders to participate in the subscription of new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company, open offer or rights issue may involve (i) identifying underwriter(s) with favourable terms; (ii) additional costs for extra administrative work for preparation and issue of related documents such as prospectus and application forms for acceptance of the open offer or rights issue and preparation of unaudited pro forma financial information to be included in the prospectus; and (iii) incurring additional costs such as expenses in relation to engagement of reporting accountants, lawyers, financial advisers and brokerage agent and printing charges in connection with prospectus and application forms, and costs associated with registration and despatch of new Shares to a large number of Shareholders, which expected to be approximately 4% of the total proceeds to be raised according to the market practice, i.e. HK\$8.0 million, which are otherwise not required in a new shares placement or subscription exercise.

As stated in the section headed “4.2. Review on trading liquidity of the Shares” in this letter, the average daily trading volume for each of relevant month/period was relatively low during the Review Period, with a range of approximately 40,909 Shares to approximately 5,091,111 Shares with an average of 605,046 Shares, representing approximately 0.0014% to 0.1789% of the number of issued Shares as at the end of relevant month/period and with an average of 0.0224%. In view of the low market liquidity of the Shares and the general decreasing trend of the Share price, it is reasonable to believe that the existing public shareholders may not have a high incentive to participate in any of the pre-emptive issues despite they can maintain its existing shareholdings in the Company after the issuance of new Shares. With the low participation level of the pre-emptive issue, it is impractical for the Group to raise sufficient net proceeds and meet its repayment obligation. As such, the Directors consider the Subscription is a swift way to raise fund given the Subscriber is the existing substantial shareholder of the Company as at the Latest Practicable Date, which the Subscription also demonstrates the continuous support on the Group from the Subscriber.

The Company entered into the Subscription Agreement on the same day as the Placing Agreement. The Subscription Price is HK\$0.2 per Subscription Share, which is equivalent to the Placing Price. As stated in the Letter from the Board, the Subscription Price and the Placing Price were negotiated on an arm’s length basis between the Placing Agent and the Company and the net price to the Company of each Placing Share is approximately HK\$0.198 per Placing Share which is lower than the net price to the Company of each Subscription Share of approximately HK\$0.199 per Subscription Share. On this basis, we consider the Subscription is a more cost-effective way of raising funds compared to the Placing.

LETTER FROM LEGO

We are given to understand that having considered the above alternatives, the Directors are of the view that the Subscription offers the most efficient and cost-effective way of raising funds based on the circumstances of the Company and serves as a vote of confidence in the Company by the Subscriber. In fact, the management of the Company advised that the Group has attempted to obtain financing from financial institutions in Hong Kong and the PRC. However, the terms were not favorable to the Group because of the relatively high gearing ratios of the Group and the purpose of the financing was purely for repayment of debt.

In light on that (i) the low trading volume of the Shares as set forth in the sub-section headed “Review on trading liquidity of the Shares” under “4. Principal terms of the Subscription Agreement” below; (ii) the benefits of the Subscription as described above; (iii) the possible additional financial burden that could be incurred by debt financing; and (iv) the possible additional transaction costs that could be incurred through conducting a rights issue or an open offer, even (a) as a result of the Placing and the Subscription, shareholdings held by public shareholders will be diluted and they are not provided with the chance to maintain their existing shareholdings; and (b) the additional costs that may be involved in pre-emptive issues might not be very significant, we concur with the view of the Directors that the Subscription is a more preferred method of fund-raising for the Group based on the circumstances of the Company and the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the Letter from the Board.

Date : 20 January 2021

Parties:

Issuer : The Company

Subscriber : Tengyue Holding Limited

Subscription Shares and Subscription Price

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to allot and issue to the Subscriber 280,000,000 new Shares having an aggregate nominal value of HK\$5,600,000 at the Subscription Price of HK\$0.2 per Subscription Share.

LETTER FROM LEGO

The size of the Subscription and ranking of the Subscription

The Subscription Shares represent approximately (i) 9.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and Subscription Shares in aggregate, assuming that the Placing Shares are placed in full and there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription.

The Subscription Shares will, when fully paid, rank *pari passu* in all respects among themselves and with the other Shares in issue as at the Completion Date, including the rights to all dividends and other distributions declared, made or paid at any time on or after the Completion Date.

Conditions precedent

Completion of the Subscription is conditional upon, among other things:

- (i) the Placing Agreement having become unconditional pursuant to the terms and conditions set out therein (except for the condition therein relating to the Subscription Agreement having become unconditional pursuant to its terms and conditions);
- (ii) the listing of and permission to deal in all the Subscription Shares and the Placing Shares being granted by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares and/or the Placing Shares);
- (iii) the Independent Shareholders approving the Subscription and the related transactions contemplated thereunder at the SGM;
- (iv) the Subscription Agreement not having been terminated by the parties pursuant to terms and conditions thereof; and
- (v) all representations, warranties and undertaking of the Company and the Subscriber remaining true, accurate and not misleading in all material aspects as at the Completion Date.

In the event that the above conditions are not fulfilled by the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties therein will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

LETTER FROM LEGO

Evaluation of the Subscription Price

The Subscription Price of HK\$0.2 per Subscription Share represents:

- (i) a discount of approximately 1.96% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on 20 January 2021, being the date on which the terms of the Subscription (including the Subscription Place) were fixed and the Subscription Agreement was entered into by the parties therein (the “**Last Trading Day**”);
- (ii) a discount of approximately 10.15% to the average closing price of approximately HK\$0.2226 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 3.01% to the average closing price of approximately HK\$0.2062 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 18.4% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 19.76% over the net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$0.167 per Share, calculated based on the unaudited consolidated net asset attributable to the Shareholders of approximately HK\$484,526,000 as at 30 June 2020 and the total number of issued Shares of 2,900,000,000 as at the date of the Subscription Agreement.

The Company entered into the Subscription Agreement on the same day as the Placing Agreement. The Subscription Price is HK\$0.2 per Subscription Share, which is the same as the Placing Price. As stated in the Letter from the Board, to the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons and the Placing Price was negotiated on an arm’s length basis between the Placing Agent and the Company. On this basis, we consider the Subscription Price is also an arm’s length price.

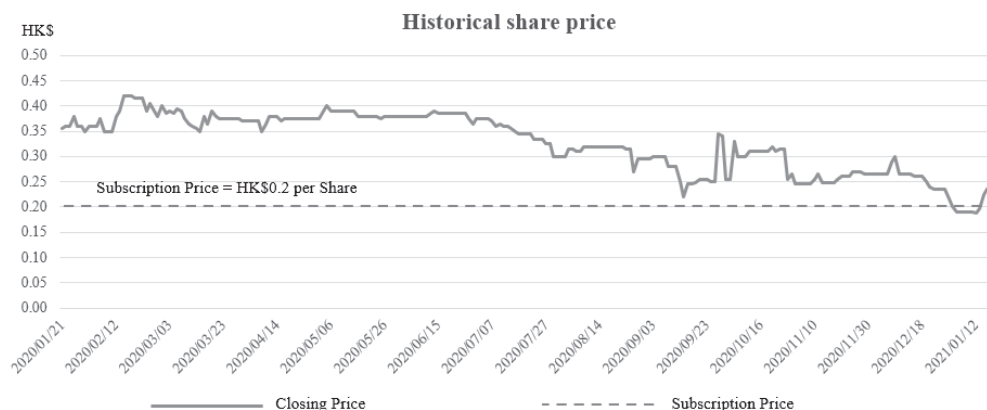
As a further part of our assessment on the fairness and reasonableness of the Subscription Price, we have also performed the analysis set out below.

LETTER FROM LEGO

Analysis

4.1. Review on Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 21 January 2020 up to and including the Last Trading Day (the “**Review Period**”), being one year prior to the date of the Subscription Agreement. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



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

During the Review Period, the closing price of the Share followed a decreasing trend in general with the lowest daily closing price per Share at HK\$0.189 on 12 January 2021 and the highest closing price per Share at HK\$0.420 on 14 February 2020, 17 February 2020 and 18 February 2020, with an average daily closing price per Share of approximately HK\$0.326.

It is noted that the Subscription Price was in general below the closing prices of the Share during the Review Period and represents (i) a premium of approximately 5.82% over the lowest daily closing price during the Review Period; (ii) a discount of approximately 52.38% to the highest daily closing price during the Review Period; and (iii) a discount of approximately 38.65% over the average daily closing price during the Review Period.

Despite the Subscription Price represented a discount of approximately 52.38% to the highest daily closing price during the Review Period and a discount of approximately 38.65% over the average daily closing price during the Review Period, having considered (i) the Subscription Price still represents a premium of approximately 19.76% over the net asset value per Share attributable to the Shareholders as at 30 June 2020 of approximately HK\$0.167 per Share; (ii) the Group had a relatively low cash position as at 30 June 2020 as stated under the section headed “2. Financial information of the Group” above in this letter; (iii) the pressing need of the repayment of the Bonds as stated under the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” above in this letter; (iv) the difficulty in obtain additional borrowings from

LETTER FROM LEGO

financial institutions as discussed in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” above in this letter; (v) the Subscription would not result in interest burden on the Group as opposed to debt financing as stated under the sub-section headed “3. Reasons for and benefits of the Subscription and use of proceeds — Financing alternatives of the Group” above in this letter; and (vi) the terms of the Subscription Agreement are fair and reasonable, we are of the view and concur with the Director’s view that the Subscription is in the interest of the Company and the Shareholders as a whole.

4.2. *Review on trading liquidity of the Shares*

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Review Period:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares for the month/period	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period
2020				
21 – 31 January	2,580,000	7	368,571	0.0127%
February	9,750,000	20	487,500	0.0168%
December	14,740,000	22	670,000	0.0231%
April	11,080,000	19	583,158	0.0201%
May	3,120,000	20	156,000	0.0054%
June	5,310,000	21	252,857	0.0087%
July	2,540,000	22	115,455	0.0040%
August	960,000	21	45,714	0.0016%
September	1,140,000	22	51,818	0.0018%
October	91,640,000	18	5,091,111	0.1789%
November	4,180,000	19	220,000	0.0076%
December	900,000	22	40,909	0.0014%
2021				
January (up to and including the Last Trading Day)	4,410,000	12	367,500	0.0127%
Maximum			5,091,111	0.1789%
Minimum			40,909	0.0014%
Average			650,046	0.0224%

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

LETTER FROM LEGO

As illustrated in the above table, the average daily trading volume was relatively low during the Review Period, with a range of approximately 40,909 Shares to approximately 5,091,111 Shares, representing approximately 0.0014% to 0.1789% of the number of issued Shares as at the end of relevant month/period. It means that the trading of the Shares is not considered as active and therefore setting the Subscription Price at a discount could provide more incentive for the Subscriber to participate in the Subscription. As such, we are of the view that it is reasonable to set the Subscription Price at a discount to the latest Share prices as a result of the low liquidity of the Shares during the Review Period.

4.3. *Market comparable analysis*

As part of our analysis, we have, on a best effort basis, also conducted an analysis of all connected transactions regarding subscription of new shares of the listed company for cash under specific mandate as announced by companies which are listed on the Main Board of the Stock Exchange (the “**Comparables**”) since 1 July 2020 and up to the date of the Subscription Agreement (excluding transactions involving (i) notifiable transactions; (ii) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded on the Stock Exchange such as its A-share or domestic shares; (iii) whitewash waiver application under the Takeovers Code or general offer obligations pursuant to the Takeovers Code; or (iv) issuance of debt instruments and convertible securities).

We are of the view that the Comparables as set out below can provide the Independent Shareholders or potential investors of the Company references with regard to the general trend and data of subscription of new shares under specific mandate in the market in relation to connected transaction for their further information to make decision with respect to the Subscription. In addition, Independent Shareholders should note that the business, operations, financial positions and prospects of the Company are not the same as the companies which make the Comparables. We have not conducted any independent investigation with regards to the business, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general trend of subscription of new shares under specific mandate in the market.

LETTER FROM LEGO

Date of announcement	Company name	Stock code	Premium/(discount) of the subscription price over/(to) closing price per share on the last trading day prior to/on the date of announcements/agreements in relation to the respective subscription of shares (%)	Number of subscription shares to the respective enlarged issued share capital upon completion (%)
15 December 2020	Kinergy Corporation Ltd.	3302	(17.80)	5.35
24 November 2020	Zensun Enterprises Limited	185	(4.17)	31.76
10 September 2020	Powerlong Commercial Management Holdings Limited	9909	—	1.78
9 September 2020	Koolearn Technology Holding Limited	1797	(7.30)	5.95
7 September 2020	Yunfeng Financial Group Limited	376	(5.93)	16.67
2 September 2020	China Uptown Group Company Limited	2330	47.10	28.29
31 July 2020	E-House (China) Enterprise Holdings Limited	2048	(35.90)	6.76
24 July 2020	Hao Tian Development Group Limited	474	(13.79)	2.99
13 July 2020	51 Credit Card Inc.	2051	(24.05)	12.27
6 July 2020	China Jinmao Holdings Group Limited	817	(6.56)	2.74
Overall:				
Maximum			47.10	31.76
Minimum			(35.90)	1.78
Average			(6.84)	11.46
Without outliers (i.e. China Uptown Group Company Limited, E-House (China) Enterprise Holdings Limited and 51 Credit Card Inc.):				
Maximum			—	31.76
Minimum			(17.80)	1.78
Average			(7.94)	11.46
20 January 2021	The Subscription	2668	(1.96)	7.18

LETTER FROM LEGO

As demonstrated by the above table, the subscription price of the Comparables ranged from a discount of approximately 35.90% to a premium of approximately 47.10% over their respective closing price of their shares on their respective last trading days prior to/on the date of the announcement/agreement in relation to the relevant share subscription (the “**Market Range**”), with an average of a discount of approximately 6.84%. We also noted that the percentage of number of subscription shares of the Comparables to their respective enlarged issued share capital upon completion ranged from approximately 1.78% to 31.76%, with an average of approximately 11.46%.

Given the premium under the issuance of shares by China Uptown Group Company Limited and the discount under the issuance of shares by E-House (China) Enterprise Holdings Limited and 51 Credit Card Inc. are substantially higher than the range of the premium/discounts of the issuance of the other Comparables and with a view to ensure the issuance of the Comparables reflects the general market conditions, China Uptown Group Company Limited, E-House (China) Enterprise Holdings Limited and 51 Credit Card Inc. each considered as an outlier. Excluding such, the subscription price of the remaining Comparables ranged from a discount of approximately 0% to 17.8% to their respective closing price of their shares on their respective last trading days prior to/on the date of the announcement/agreement in relation to the relevant share subscription (the “**Market Range without outliers**”), with an average of a discount of approximately 7.94%.

Despite the Subscription Price of HK\$0.2 per Subscription Share is in general below the closing prices of the Shares as quoted on the Stock Exchange during the Review Period, having considered that (i) the Subscription Price represents a discount of approximately 1.96% to the closing price of the Share on the Last Trading Day, which is above the average discount of approximately 6.84% of the Comparables as illustrated above; (ii) the discount of the Subscription Price of approximately 1.96% as compared to the price of Share as at the Last Trade Day is minimal and approximate to the price of Share as at the Last Trading Day; (iii) the closing price of the Shares followed a decreasing trend in general during the Review Period; (iv) the percentage of number of Subscription Shares to the enlarged issued share capital of the Company upon completion of the Subscription of approximately 7.18% falls within the range of such ratios of the Comparables; (v) the low liquidity of the Shares during the Review Period; (vi) the discount of the Subscription Price is within the Market Range and the Market Range without outliers; (vii) the Subscription Price represents a premium of approximately 19.76% over the net asset value per Share attributable to the Shareholders as at 30 June 2020; (viii) the Subscription Price is equivalent to the Placing Price which was negotiated on an arm’s length basis between the Placing Agent and the Company and which the Placees will be Independent Third Parties; (ix) the Subscription is a preferred means to raise funds given the Company’s circumstances comparing to other fundraising methods having considered the Group’s gearing level, significant interest burden of debt financing and the costs involved for other forms of equity financing; and (x) the Group has the

LETTER FROM LEGO

imminent needs to conduct fund raisings given the current high level of indebtedness, the urgency of the capital needs to repay the Bonds at the maturity and accrued interests which will mature shortly, and the nature of the Group's finance leasing and money lending businesses which require the Group to maintain certain level of liquidity so as to grasp business opportunity when it arises, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Taking into account the principal terms of the Subscription Agreement as highlighted above, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Placing and the Subscription to the Group

5.1. *Liquidity*

According to the 2020 Interim Report, the Group had cash and cash equivalents of approximately HK\$47.1 million as at 30 June 2020. Upon completion of the Placing and the Subscription, the liquidity and cash position of the Group will be improved as the Placing and the Subscription will facilitate the Company to raise net proceeds of approximately HK\$198.2 million. The total liabilities of the Group will be reduced after the repayment of the Bonds and interests with the entire net proceeds. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon completion and the repayment of Bonds and interests.

5.2. *Gearing ratio*

As at 30 June 2020, the Group's total borrowings (including bonds, borrowings and overdrafts) was approximately HK\$458.7 million and the gearing ratio (calculated as a ratio of total borrowings over equity attributable to the Shareholders) was approximately 94.7%. Given that following completion of the Placing and the Subscription and the repayment of the Bonds, the equity of the Company will increase and the liabilities of the Group will be reduced, it is expected that the Placing and the Subscription will have positive impact on the gearing ratio of the Group.

As such, the Subscription may have an overall positive effect on the Group's financial position. It should be noted that the aforementioned financial effects are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Subscription.

LETTER FROM LEGO

6. Effect of the Placing and the Subscription on the shareholdings of the Company

The Subscription Shares represent approximately (i) 9.66% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and Subscription Shares in aggregate, assuming that the Placing Shares are placed in full and there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Placing but without taking into account of completion of the Subscription; and (iii) immediately after completion of both the Placing and the Subscription (in each case assuming that all of the Placing Shares will be placed to the Placees and that there is no further change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Placing and the Subscription):

Name of Shareholder	At the Latest Practicable Date		Immediately after completion of the Placing but without taking into account of completion of the Subscription		Immediately after completion of both the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders						
Subscriber (Note 1)	812,000,000	28.00	812,000,000	22.43	1,092,000,000	28.00
Massive Thriving Limited (Note 2)	546,953,000	18.86	546,953,000	15.11	546,953,000	14.02
Public Shareholders						
Placees	—	—	720,000,000	19.89	720,000,000	18.46
Other public Shareholders	1,541,047,000	53.14	1,541,047,000	42.57	1,541,047,000	39.52
Total	2,900,000,000	100.00	3,620,000,000	100.00	3,900,000,000	100.00

Notes:

1. As at the Latest Practicable Date, the Subscriber was wholly owned by Beyond Glory Holdings Limited, which is in turn wholly owned by Mr. Liao.
2. As at the Latest Practicable Date, Massive Thriving Limited was wholly-owned by Mr. Wang Jian, the chairman of the Board, an executive Director and the chief executive officer of the Company.
3. The information presented in the table above is based on
 - (i) the disclosures of interest made by the relevant shareholders pursuant to the requirements under Part XV of the SFO up to the date of this announcement; and
 - (ii) the assumption that there will be no change in the share capital and shareholding structure of the Company between the date of this announcement and the date of completion of the Placing and the Subscription other than the allotment and issue of the Placing Shares and the Subscription Shares.

LETTER FROM LEGO

As shown in the table above, the existing public Shareholders' shareholdings will be diluted from approximately 42.57% immediately after completion of the Placing but without taking into account of completion of the Subscription to approximately 39.52% immediately after completion of both the Placing and the Subscription.

Nonetheless, in view of (i) the reasons for and the possible benefits of the Subscription to the Group, details of which are set out under the section headed "3. Reasons for and benefits of the Subscription and use of proceeds" of this letter; (ii) the proposed use of proceeds which is for the purpose of strengthening the financial position of the Company, and improving its profitability by reducing its interest expenses; (iii) that the Subscription Price is considered fair and reasonable as discussed under the sub-section headed "4. Principal terms of the Subscription Agreement – Evaluation of the Subscription Price" of this letter; and (iv) that the financial position of the Group will be improved immediately upon the completion of the Placing and the Subscription as set out in the section headed "5. Financial effects of the Placing and the Subscription to the Group" of this letter, we consider that such dilution effect on the shareholding interests of the existing public Shareholders resulting from the issue of the Subscription Shares is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Subscription is not in conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the connected transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the knowledge of the Directors, as at the Latest Practicable Date, the following Director had interests in the Shares (within the meaning of Part XV of the SFO) of the Company which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO); (ii) entered in the registered referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company:

Name of Director	Number of Shares interested	Capacity/ Nature of interest	Approximate percentage of the issued share capital (Note 1)
Wang Jian (Note 2) (“ Mr. Wang ”)	546,953,000	Interest of a controlled corporation	18.86%

Notes:

1. The percentage was calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date, which was 2,900,000,000.
2. These 546,953,000 Shares were held by Massive Thriving Limited (“Massive Thriving”), which was wholly owned by Mr. Wang. Accordingly, Mr. Wang was deemed to be interested in all the Shares held by Massive Thriving by virtue of the SFO.

Save as disclosed above, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Wang was the director of Massive Thriving, which was interested in 546,953,000 Shares. Save for the foregoing, to the best of the knowledge of the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of any company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable date, no Director had any interest in any business apart from the Group's business which competed or would be likely to compete, either directly or indirectly, with the Group's business.

4. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS

None of the Directors or the expert (as named in this circular) had any interest, direct or indirect, in any asset which had, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Lego has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its, letter and/or references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Lego was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, 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.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the publication of a profit warning announcement by the Company on 7 August 2020 in relation to the expected significant decrease in the net profit for the six months ended 30 June 2020, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

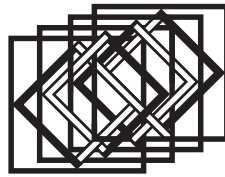
Copies of the following documents will be available for inspection at the office of the Company at Unit 1902, 19/F, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to 14 days thereafter:

- (a) the Placing Agreement;
- (b) the Subscription Agreement; and
- (c) the written consent from the expert referred to under the paragraphs headed “Expert qualification and consent” in this appendix.

10. GENERAL

- (a) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of inconsistency.
- (b) The company secretary of the Company is Mr. Sze Kat Man. Mr. Sze is a member of the Hong Kong Institute of Certified Public Accountants.

NOTICE OF SPECIAL GENERAL MEETING



PAK TAK INTERNATIONAL LIMITED

(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting of Pak Tak International Limited (the “**Company**”; together with its subsidiaries, the “**Group**”) will be held at R2, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 12 March 2021 at 11:00 a.m. for the following purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 20 January 2021 (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and entered into by the Company as issuer and Tengyue Holding Limited as subscriber in relation to the subscription of 280,000,000 new Shares (the “**Subscription Shares**”) at the subscription price of HK\$0.2 per Share and the transactions contemplated thereby be and are hereby approved;
- (b) conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares, subject to and in accordance with the terms and conditions set out in the Subscription Agreement. This specific mandate so granted is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company at, before or after the passing of this resolution; and

** for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (c) any one director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such acts, matters and things as are, in the opinion of such director of the Company, desirable or expedient to give effect to the Subscription Agreement, all the transactions contemplated thereunder and/or any matter ancillary or incidental thereto (including without limitation the allotment and issue of the Subscription Shares pursuant thereto), to agree to such variations, amendments or waivers to or of any of the provisions of the Subscription Agreement and all documents ancillary or incidental thereto as are, in the opinion of such director of the Company, not of a material nature and in the interest of the Company, and to effect or implement any other matter referred to in this resolution.”

2. “THAT subject to the passing of resolution 1 as set out in the notice of the SGM,

- (a) the placing agreement (the “**Placing Agreement**”) dated 20 January 2021 (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and entered into by the Company as issuer and CCB International Capital Limited as placing agent in relation to the placing of up to 720,000,000 new ordinary shares of HK\$0.02 each (the “**Share(s)**”) in the share capital of the Company (the “**Placing Shares**”) at the placing price of HK\$0.2 per Share and the transactions contemplated thereunder be and are hereby approved;
- (b) conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions set out in the Placing Agreement. This specific mandate so granted is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company at, before or after the passing of this resolution; and
- (c) any one director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such acts, matters and things as are, in the opinion of such director of the Company, desirable or expedient to give effect to the Placing Agreement, all the transactions contemplated thereunder and/or any matter ancillary or incidental thereto (including without limitation the allotment and issue of the Placing Shares pursuant thereto), to agree to such variations, amendments or waivers to or of any of the provisions of the Placing Agreement and all documents ancillary or incidental thereto as are, in the opinion of such director of the Company, not of a material nature and in the interest of the Company, and to effect or implement any other matter referred to in this resolution.”

By order of the Board
Pak Tak International Limited
Wang Jian
Chairman and Chief Executive Officer

Hong Kong, 23 February 2021

NOTICE OF SPECIAL GENERAL MEETING

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

Principal place of business in Hong Kong:
Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

Notes:

1. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Bye-laws of the Company and the poll voting results will be published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company (the “**Member**”) entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the meeting or any adjournment thereof. A proxy need not be a Member. 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. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation is entitled to exercise the same powers on behalf of the Member which he or they represent(s) as such Member could exercise.
3. A form of proxy for the special general meeting is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, shall be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting (i.e. at or before 11:00 a.m. on Wednesday, 10 March 2021 (Hong Kong time)) or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.
4. For the purpose of determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 9 March 2021 to Friday, 12 March 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all instruments of transfer, accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 March 2021.
5. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the meeting, the meeting will be postponed or adjourned. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and place of the rescheduled meeting.

The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.

As at the date of this notice, the Board comprises Mr. Wang Jian, Ms. Qian Pu and Mr. Ning Jie as executive Directors; Mr. Law Fei Shing and Mr. Shin Yick Fabian as non-executive Directors; and Mr. Chan Ngai Sang Kenny, Mr. Chan Kin Sang and Mr. Zheng Suijun as independent non-executive Directors.