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

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

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

Yik Wo International Holdings Limited

易和國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8659)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

Capitalised terms used in the lower portion of the cover and the first page of this circular shall have the same respective meanings as those defined in the section headed “DEFINITIONS” of this circular.

A notice convening the EGM to be held at Conference Room 126, No.301, Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province on Friday, 1 April 2022 at 1:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular. If you are not able to attend the EGM in person but wish to exercise your right as a Shareholder, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be) (excluding any public holiday in Hong Kong). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or its adjournment should you so wish. If you attend and vote in person at the EGM, the authority of your proxy will be revoked.

This circular will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This circular will also be published and will remain on the website of the Company at www.yikwo.cn.

16 March 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from Mr. Xu, Yeewo Pictures and Mr. Gong in accordance with the terms and conditions of the Supplemental Agreements
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	Yik Wo International Holdings Limited (易和國際控股有限公司), an exempted company incorporated in the Cayman Islands, whose issued Shares are listed and traded on GEM (Stock code: 8659)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Supplemental Agreements
“Completion Date”	the date of the Completion
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of RMB20,571,430 for the acquisition of the Sale Shares
“Consideration Shares”	74,482,760 new Shares to be allotted and issued by the Company to Mr. Xu
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Conference Room 126, No.301, Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province on Friday, 1 April 2022 at 1:00 p.m. or any adjournment thereof
“Equity Sale and Purchase Agreements”	the conditional Equity Sale and Purchase Agreements dated 10 September 2021 entered into by the Company, Mr. Xu, Yeewo Pictures and Mr. Gong respectively
“Film Project”	the investment project of the film <i>English</i> (《英格力士》) (which is a tentative name, subject to the title of the film set out in the Permit for Public Projection of Films)
“GEM”	the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grant Thornton”	Grant Thornton Hong Kong Limited, Certified Public Accountants in Hong Kong
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang, established for the purpose of advising the Independent Shareholders in respect of the entering into the Supplemental Agreements
“Independent Shareholders”	shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Joint Investment Contract”	the joint investment contract entered into between Yeewo Pictures and Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司) in 2017 in respect of the Film Project
“Latest Practicable Date”	14 March 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Mr. Gong”	Mr. Gong Zongfan, a merchant
“Mr. Xu”	Mr. Xu Youjiang, a merchant, who is the chairman of the Company and an executive Director
“Novation Agreements”	The first novation agreement and second novation agreement entered into between Yeewo Pictures, the Target Company and Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司), under which Yeewo Pictures first transferred 35% interest in the Film Project to the Target Company, and then the Target Company transferred 25% interest in the Film Project back to Yeewo Pictures
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Rainbow Capital” and “Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented and modified from time to time
“Sale Share(s)”	100% of the issued share capital of the Target Company
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	Supplemental agreements to the Equity Sale and Purchase Agreements dated 20 January 2022 entered into by the Company, Mr. Xu, Yeewo Pictures and Mr. Gong respectively in respect of the Acquisition
“Target Company”	June Pictures & Media Limited, a company incorporated on 18 August 2021 under the laws of the British Virgin Islands with limited liability
“Vincorn”	Vincorn Consulting and Appraisal Limited, an independent professional valuer
“Valuation Report”	the valuation report prepared by Vincorn in respect of the Film Project
“Yeewo Pictures”	Yeewo Pictures & Media Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD

Yik Wo International Holdings Limited
易和國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8659)

Executive Directors:

Mr. Xu Youjiang (*Chairman*)

Ms. Xu Liping

Mr. Zhang Yuansheng

Independent Non-executive Directors:

Mr. Chung Chi Kit

Mr. Liu Dajin

Mr. Deng Zhihuang

Registered office:

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman

KYI-1104

Cayman Islands

Principal Place of Business in the PRC:

Wukeng Industrial Zone

Longhu Town

Jinjiang City

Fujian Province

China

Principal place of business in Hong Kong:

Room 6, 3/F, Lladro Centre

72 Hoi Yuen Road

Kwun Tong

Kowloon

Hong Kong

16 March 2022

To the Shareholders,

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF THE TARGET COMPANY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 10 September 2021 in relation to the Equity Sale and Purchase Agreements entered into between the Company, Mr. Xu, Yeewo Pictures and Mr. Gong, whereby the Company agreed to acquire the Sale Shares from Mr. Xu, Yeewo Pictures and Mr. Gong.

LETTER FROM THE BOARD

On 20 January 2022, the Company, Mr. Xu, Yeewo Pictures and Mr. Gong entered into the Supplemental Agreements to adjust certain terms of the Acquisition, given that the interest of Film Project held by the Target Company has been lowered from 35% to 10% by mutual agreement among the parties.

The Supplemental Agreements shall substitute the Equity Sale and Purchase Agreement and the latter shall be of no further effect.

The principal terms of the Supplemental Agreements are as follows:

Date:

20 January 2022

Parties:

Purchaser: the Company

Vendors: (1) Mr. Xu
 (2) Yeewo Pictures
 (3) Mr. Gong

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Gong and Yeewo Pictures (and their ultimate beneficial owners) are independent of the Company and its connected persons (as defined under the GEM Listing Rules).

Subject Matter:

The Company has conditionally agreed to acquire, and Mr. Xu, Yeewo Pictures and Mr. Gong have conditionally agreed to sell 70%, 15% and 15% shares of the Target Company. The Sale Shares represent 100% of the issued share capital of the Target Company.

Consideration:

Pursuant to the Supplemental Agreements, the total consideration of RMB20,571,430 for the purchase of the Sale Shares shall be satisfied by the Company on the Completion Date by way of: (i) issue and allotment of 74,482,760 Consideration Shares to Mr. Xu at an issue price of HK\$0.232 per Consideration Share; (ii) issue of a debt instrument in the sum of RMB3,085,714 to Yeewo Pictures; and (iii) issue of a debt instrument in the sum of RMB3,085,714 to Mr. Gong. The Consideration of the Supplemental Agreements was determined and arrived at after arm's length negotiation by the parties with reference to the Valuation Report of the Film Project prepared by Vincorn, and that the Target Company shares 10% of investment in and income of the Film Project according to the Joint Investment Contract and the Novation Agreements. The appraised value of the Film Project, which is calculated by using income approach, is approximately RMB240,000,000 as at 10 September 2021, and the appraised value of the Target Company's corresponding share of investment and income is approximately RMB24,000,000.

LETTER FROM THE BOARD

The Board understands that Vincorn is experienced in performing valuation and has served 138 listed companies in the past 24 months. In particular, it did have previous experience in valuing similar film project by performing impairment assessments on assets in relation to film production and film rights which involved the understanding of the pre- and post- production process in film including related revenue and expense with other related details in the film making industry.

The Board is aware that valuation of a movie is not commonly done in the market, and it would not be practical to look for a valuer which has an expertise in valuating movies. Given that Vincorn has prior experience in valuating film projects and that it is familiar with the valuation methodology (i.e. income approach), the Board believes that Vincorn is competent in preparing the valuation of the Film Project.

The Board also understands that Vincorn is an independent valuer. It is not a member of the Group, the holding company of the Company or a fellow subsidiary of the Company. Vincorn's partners, directors or officers is not an officer or servant or proposed director of the Company or the Company's subsidiary or holding company or of a subsidiary of the Company's holding company or any associated company.

There is not any event which had a material impact on the value of the Film Project after the Valuation Report was compiled. Therefore, the Directors are of the view that the appraised value as at 10 September 2021 is still an appropriate indication of the fair value of the Film Project.

Since the income approach was adopted in the Valuation Report, such valuation is considered as the profit forecast under Rule 19.61 of the GEM Listing Rules. The Company has fully complied with the provisions under Rule 19.62 of the Listing Rules. The principal assumptions adopted in the Valuation Report of the Film Project, a letter from the Board and a letter from the Company's auditors are set out in this Circular and attached hereto as Appendix II and Appendix III. The Independent Financial Adviser has also satisfied itself that the profit forecast adopted in the Valuation Report is made after due and careful enquiry, and its report is set out in Appendix IV.

The said debt instrument to Yeewo Pictures and Mr. Gong will not carry interest, and will be repayable on demand after the release of the Film Project.

The Consideration Shares represent:

- (i) Approximately 12.41% of the Company's issued share capital as at the Latest Practicable Date; and
- (ii) Approximately 11.04% of the Company's issued share capital as enlarged by allotment and issue of the Consideration Shares.

The Consideration Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the extraordinary general meeting to be held. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Supplemental Agreements will be made by the Company to the Stock Exchange.

The issue price of HK\$0.232 per Consideration Share at which the Consideration Shares will be allotted and issued represents:

- (i) a premium of approximately 13.73% over the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on 20 January 2022, the date of the Supplemental Agreements (the “**Last Trading Day**”);
- (ii) a premium of approximately 14.62% over the average closing price of approximately HK\$0.2024 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 14.40% over the average closing price of approximately HK\$0.2028 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 14.12% over the average closing price of approximately HK\$0.2033 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.48% over the average closing price of approximately HK\$0.2009 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 20.64% over the average closing price of approximately HK\$0.1923 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 26.09% over the average closing price of approximately HK\$0.1840 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 16.00% over the closing price of HK\$0.20 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (ix) a discount of approximately 26.11% to the net asset value per Share as at 30 September 2021.

The issue price was determined after arm’s length negotiation among the Company and Mr. Xu with reference to the recent price performance of the Shares and the prevailing market conditions.

LETTER FROM THE BOARD

Conditions precedent:

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained the approval from its Independent Shareholders in respect of, inter alia, (a) the Acquisition; and (b) the issue of the Consideration Shares to Mr. Xu pursuant to the terms of the Supplemental Agreements, in the manner required by the GEM Listing Rules;
- (ii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Supplemental Agreements as well as the allotment and issue of the Consideration Shares;
- (iii) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the allotment and issue of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Supplemental Agreements by any legislative, executive or regulatory body or authority in Cayman Islands or Hong Kong;
- (v) Each party having complied with the terms and conditions of the Supplemental Agreements and there having been no material breach of the Supplemental Agreements by any party to the Supplemental Agreements;
- (vi) all of the warranties and representations contained in the Supplemental Agreements being true, correct, complete, accurate and not misleading in all material respects at Completion, as if repeated at Completion and all undertakings contained in the Supplemental Agreements, to the extent being capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (vii) the purchaser, the vendors and the Target Company having complied with the GEM Listing Rules in all respects in connection with the Acquisition; and
- (viii) the Company being satisfied with the results of the legal and/or financial due diligence review of the Target Company.

Among the above conditions, items (i), (ii), (iii), (iv) and (vii) are not waivable, while item (v) may be waived by the non-defaulting party and items (vi) and (viii) may be waived by the Company. Except item (ii) and (viii), the other conditions are not fulfilled yet at this stage. If the conditions above have not been fulfilled or waived (as the case may be) within six months from the date of the Supplemental Agreements (or such later date as the parties may agree), the Supplemental Agreements shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Supplemental Agreements.

LETTER FROM THE BOARD

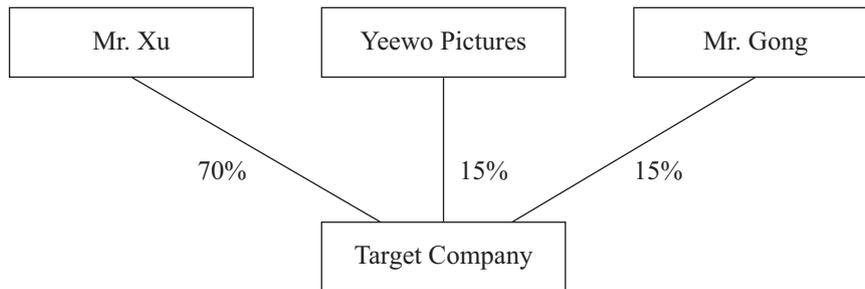
Completion

Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Supplemental Agreements, or such other date as the parties to the Supplemental Agreements may agree in writing. The date of Completion is expected to be on or before 29 July 2022.

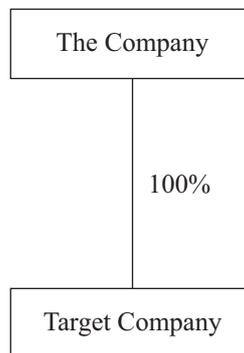
Upon the Completion, the Company will hold 100% equity interest in the Target Company and the financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

The group chart of the Target Company before and after Completion are as follows:

Before Completion:



After Completion:



LETTER FROM THE BOARD

Profit guarantee and penalty interest

Yeewo Pictures agrees to provide a profit guarantee in the sum of RMB25,572,000 for the 10% interest in the Film Project. Given the Consideration of 10% interest in the Film Project will be RMB20,571,430, and that the Company is not required to make any further capital contribution into the Film Project, the profit guarantee would mean that the Company will at least record a net profit of RMB5,000,570, being the amount in excess of the Consideration. The Company has conducted credit check against Yeewo Pictures, which includes reviewing (i) the latest financial statements of Yeewo Pictures, and (ii) litigation search results of Yeewo Pictures and its ultimate beneficial owner, Chu Yui Raymond. Pursuant to the latest financial statements of Yeewo Pictures as at 31 December 2021, Yeewo Pictures has net assets of over USD10 million, which is far enough to satisfy the profit guarantee to the Company. The Company has also spot checked the related contracts and documents to verify the assets owned by Yeewo Pictures. It is satisfied that Yeewo Pictures has the financial resources to provide the profit guarantee. The Company would comply with GEM Listing Rules 20.61(2) and 20.61(3) to disclose the actual performance of and release date of the Film Project by way of an announcement and the actual release date of the Film Project in its next annual report.

It is expected that the Film Project will be released around the second or third quarter of 2022. If the Film Project is not released within 2022, Mr. Xu further agrees to pay a penalty interest of 5% per annum to the Company based on the investment amount of the Company (i.e. RMB20,571,430) until the release date of the Film Project. The penalty interest (if any) will be accrued from 1 January 2023 until the release date of the Film Project, and be calculated on a pro-rata basis based on the number of days, payable on 31 December each year or within 30 days of the release date of the Film Project, whichever is the earlier.

Substitution for the Equity Sale and Purchase Agreements

The Supplemental Agreements shall substitute the Equity Sale and Purchase Agreements and the latter shall be of no further effect.

MAJOR ASSUMPTIONS ADOPTED IN THE VALUATION REPORT UNDER INCOME APPROACH

Since the income approach was adopted in the Valuation Report, such valuation is considered as the profit forecast under the Rule 19.61 of the GEM Listing Rules. The Company has fully complied with the provisions under the Rule 19.62 of the Listing Rules.

The principal assumptions adopted in the Valuation Report of the Film Project are set out as follows:

General assumptions

- (i) It is assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the subject;

LETTER FROM THE BOARD

- (ii) It is assumed that the conditions in which the subject is operated, and which are material to revenue and costs of the businesses of the subject will have no material change;
- (iii) It is assumed that the information has been prepared on a reasonable basis after due and careful consideration by the client;
- (iv) It is assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the subject;
- (v) It is assumed that all licenses and permits that is essential for the operation of the subject can be obtained and are renewable upon expiry; and
- (vi) It is assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the valuation date.

Major assumptions of the cash flow projection

Revenue

The major assumptions of revenue have several components as follows:

1. Gross Box Office Receipts of the Film Project in the PRC

The gross box office receipt of the Film Project is derived from market median of comparable films of the Film Project.

The valuer's focus was to identify films which the story was based on a novel as that was the core feature of the Film Project. Also, the comparable films should be based in China and that it should also exclude movies that adopt computer-generated imagery, films with genre type of swordsman (武俠), action, and animation as well because these features did not fit with the core characteristics of the Film Project. In addition, the information of the comparable movies such as production cost and domestic box office was disclosed in public source. As a result, comparable movies with similar feature in relation to the characteristics of the Film Project were identified. The valuer considered the list of comparable movies an exhaustive list, the selection basis was reasonable, and the sample list was fair and representative. Ultimately, the comparable films were selected with reference to the criteria as follows:

- (i) The comparable movies are novel-based;
- (ii) The comparable movies are to exclude movies that adopt computer-generated imagery significantly, films with genre type of swordsman (武俠), action, and animation;
- (iii) The comparable movies have been selected from 2015 to 2021;
- (iv) The comparable movies are produced and released in the Mainland China; and

LETTER FROM THE BOARD

- (v) The comparable movies to have figures for production cost and domestic box office disclosed in public source.

The Board has considered the following factors:

- (i) In relation to the comparable movies selected by the valuer, the Board has enquired with the valuer about the selection criteria, and are of the view that the criteria matches with the features of the Film Project. In particular, the Board notes that a comparable movie “芳華” selected by the valuer bears the most similarities with the Film Project, and that its multiple of domestic box office to production cost (the “Multiple”) is even higher than that estimated for the Film Project. Further, there is a trend that the Multiple of the comparable movies in recent years has been increasing significantly, reaching 16.85 in 2020. These show that the estimated Multiple of 9.12 for the Film Project is reasonable in the market.
- (ii) In terms of the methodology, the valuer adopts the median of the multiple of domestic box office/production cost to reach the conclusion of the valuation, excluding the highest and lowest in value. The Board is of the view that the valuer has actually formulated the conclusion prudently.

2. Standard Deduction to National Film Industry Development Special Fund

The deduction to national film industry development special fund is based on 5% of the gross box office receipts which is in accordance with the law of PRC relating to Article 7 of “The Administrative Measures of the Expropriation and Usage of the Project Fund for the Development of the State’s Movie Industry” (國家電影事業發展專項資金徵收使用管理辦法) under “The Film Administration Regulations” (電影管理條例).

3. Standard Deduction for Value Added Tax and Surcharges

The deduction to value added tax and surcharges is based on 3.3% of the gross box office receipts which is in accordance with the VAT and surcharges tax law of PRC for the movie industry.

4. Sharing by Cinemas and Cinema Circuits

The sharing by cinemas and cinema circuits is based on management’s estimate of the sharing proportion which is within range of 50% - 60% that is standard market practice for movie income allocation.

5. Copyright Income

The other income as copyright income is derived based on a similar movie contract reference that has been completed and is disclosable. Such term requires that the copyright income will be RMB34 million should the gross box office receipts of the Film Project be less than RMB700 million.

LETTER FROM THE BOARD

Cost

The major assumptions of expense have several components as follows:

1. Distribution Fees to be Received by Distributors

The distribution fees to be received by distributors is approximately 12% of the gross box office receipt net of deduction for contribution to the fund, value added tax and surcharges, and sharing by cinemas and cinema circuits, which is based on standard practice in the market.

2. Promotional Expenses

The promotional expenses are based on approximately 2.43% of the gross box office receipts of the Film Project in the PRC that is consistent with the market median of the comparable movies' research that is disclosable with such calculation in the Valuation Report.

The Board has reviewed the key assumptions upon which the profit forecast was based and is of the view that the profit forecast was made after due and careful enquiry.

Grant Thornton has been engaged by the Company to review the arithmetical calculation and compilation of the discounted future estimated cash flows upon which the Valuation Report were based.

A letter from the Board and a report from Grant Thornton are included in the appendices to this circular.

INFORMATION OF THE TARGET COMPANY

The Target Company is mainly engaged in investment in the Film Project. In 2017, Yeewo Pictures entered into the Joint Investment Contract with Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司), a well-known film producer in China, to invest in the Film Project where the share of Yeewo Pictures in the investment and income shall be 35%. After learning that the Company intends to acquire the share of Yeewo Pictures in the investment in and income of the Film Project, Yeewo Pictures reorganized the shareholding structure of the Film Project to establish the Target Company and transferred all its interests in the Joint Investment Contract to the Target Company by signing the first novation agreement originally. Yeewo Pictures transferred 70% of the issued share capital of the Target Company to Mr. Xu on 3 September 2021, at a cash consideration of RMB50,400,000, to facilitate possible future transactions. According to the Joint Investment Contract, Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司) will be responsible for the production of the Film Project and has sole discretion over all matters related to film production and distribution, while the Target Company as an investor is mainly responsible for fulfilling its obligation of capital contribution.

LETTER FROM THE BOARD

Upon the recent discussion among the parties, the Company wishes to scale down the Acquisition and therefore the Target Company has entered into the second novation agreement with Beijing J.Q. Media & Culture Company Limited and Yeewo Pictures on 20 January 2022 in order to transfer 25% interests in the Joint Investment Contract back to Yeewo Pictures. After the further novation, the Target Company holds 10% interests in the Joint Investment Contract, and therefore shares 10% (instead of 35%) of investment in and income of the Film Project according to the Joint Investment Contract. In view of such adjustment and that Mr. Xu has already paid RMB50,400,000 to Yeewo Pictures as stated above, Yeewo Pictures agrees to pay back RMB29,828,570 to Mr. Xu, as such the consideration payable by Mr. Xu for the 70% issued share capital of the Target Company is RMB20,571,430.

The Target Company was established on 18 August 2021, and has to date not recorded any revenue and profit.

The film under the Film Project is titled English (《英格力士》) (tentative title, subject to the film title set out in the “Permit for Public Projection of Films (電影公映許可證)”), directed by Ms. Chen Chong (the best director of the 35th Golden Horse Awards), and starring by Mr. Wang Zhiwen, Ms. Yuan Quan, Ms. Huo Siyan and Mr. Wang Chuanjun, which is a commercial literary film. The filming has been completed and post-production work is in progress. It is expected that the release approval from the PRC government will be obtained in the second or third quarter of 2022, and the post-production work will be completed shortly after the granting of the approval subject to the authority’s comments, so as to enable the release of the Film Project within 2022.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As of the Latest Practicable Date, the Company has 600,000,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares:

	As at the Latest Practicable Date		Immediately after the Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Prize Investment Limited*	301,500,000	50.25	301,500,000	44.70
Mr. Xu	—	—	74,482,760	11.04
Merit Winner Limited	67,500,000	11.25	67,500,000	10.01
Other public shareholders	231,000,000	38.50	231,000,000	34.25
Total	600,000,000	100	674,482,760	100

* Prize Investment Limited is a corporation controlled by Mr. Xu.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TRANSACTIONS

The film industry in China has shown a rapidly growing trend over the past few years. The regulatory environment and favourable policy in China also enhances the development of the film industry in and confidence of the film production companies over China. The relevant authorities have simplified administrative procedures in recent years to encourage investment in film production and the long-term development of the film industry. Although the film industry in China was affected by the COVID-19 pandemic in 2020, in view of the above-mentioned policy trends and the considerable increase in box office earnings in China before 2020, the Company believes that the investment in film projects at this moment will enable it to leverage the opportunities that the pandemic in China has gradually eased and popular entertainment needs will rebound, and seize the opportunity in the emerging film industry.

Since April 2011, Mr. Xu has been the executive director and general manager of Fujian Hengsheng Animation Culture Diffusion Co., Ltd.* (福建恒盛動漫文化傳播有限公司) (“Hengsheng Animation”). Prior to the Company’s listing application in 2019, the Group underwent and completed its corporate restructuring in December 2018 to delineate and dispose its business of the provision of design services for animation and its ancillary products and the production and distribution of animation programmes (the “Animation Business”) and only included its disposable plastic food storage containers manufacturing business in preparation for the Listing. Prior to the disposal of the Animation Business, Mr. Xu has the following experience in relation to Animation Business:

- (i) Since 2012, Hengsheng Animation participated in the production of its first animation TV program, namely 爵士兔之奇幻之旅, which was launched in the market in February 2014.
- (ii) In 2014, Hengsheng Animation commenced the production of its second animation TV program, namely 爵士兔之爆笑山谷.
- (iii) In 2014, Hengsheng Animation participated in the production of a 3D movie titled “The King of Dinosaur” (恐龍王), which was screened in theaters nationwide in November 2018.

Mr. Xu made decision on the content and direction of the programs, participated in the production house responsible for producing the programs, handled the licensing of the intellectual property for production of the programs, and arranged the distribution of the programs. The production work of the Film Project is largely completed, and hence minimal supervision will be required for the production of the Film Project. As Mr. Xu has experience in the licensing of the intellectual property and distribution of animated programs, such experience will be relevant to the Company’s monitoring of the promotion, preparation of the release and distribution of the Film Project.

LETTER FROM THE BOARD

Although investment in the Film Project is not the Company's principal business, considering (i) the above-mentioned opportunities, (ii) that members of the Company's management had participated in the animated movie program business and have knowledge of the media, culture and entertainment business as stated above, (iii) according to the Joint Investment Contract, Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司), the production team of which is excellent and guarantees the quality of the Film Project, will be responsible for the production of the Film Project and has sole discretion over all matters related to film production and distribution, the Board believes that investment in the Film Project will bring considerable income to the Group and is a suitable investment, which will also expand the business scope of the Group. For the avoidance of doubt, the Company has no intention to downsize the existing business relating to the design and development, manufacturing and sales of disposable plastic food storage containers in the PRC. The Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group's business plans through utilisation of the net proceeds from the listing of the Company's Shares on the Stock Exchange on 13 July 2020.

From October to December 2020, the company added 20 injection molding machines with an investment of more than RMB15 million. In 2021, the Company further purchased 5 injection molding machines and nearly 60 new molds, with an investment amount of more than RMB4 million and 5 million respectively, increasing the total output in 2021 by more than 6 million lunch boxes more compared to 2020, resulting in an increase of sales revenue by 12%. After securing the orders of existing customers, the Company was able to solicit 5 new customers, which are located in Fujian Province and Zhejiang Province. These new customers' demand reached nearly 10 million lunch boxes. The Company is constantly expanding and developing the existing lunch box business, and plans to purchase 10 more injection molding machines and 40 molds in 2022, with an investment amount of no less than RMB10 million. Expansion will be carried out in other provinces and cities while securing orders from existing customers.

The settlement of the Consideration under the Equity Sale and Purchase Agreements would originally involve issuance of Consideration Shares to all Mr. Xu, Yeewo Pictures and Mr. Gong. While the Company revisits the terms of the Equity Sale and Purchase Agreements, it wishes to explore the possibility of lowering the dilution effect under the Equity Sale and Purchase Agreements. Upon recent discussion among the parties, the parties agree to restructure the Acquisition and enter into the Supplemental Agreements to adjust certain terms of the Acquisition. Under the Supplemental Agreements, while the Company would still benefit from seizing the opportunity to make an investment in the film industry in the PRC at a very reasonable price, the interest in the Film Project to be indirectly acquired is lowered, hence reducing the Consideration to be paid and the dilution effect resulting from the Acquisition.

LETTER FROM THE BOARD

Having considered the above factors, the Board considers that the terms of the Equity Sale and Purchase Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board is aware that the Acquisition is subject to the following risks:

- (i) there may be outbreak of new variants of coronavirus in China, forcing movie theaters to close again;
- (ii) there may be change of laws and regulations regarding the contents of films approved to be released in China, and amendments may then be required to be done to the Film Project.

However, the Board believes that the risks should be low. Since production work has been largely completed already, the risk of not completing the production barely exists. The theme of the Film Project contains no sensitive content and is unlikely to be banned by the government or require amendments. China has performed well in the control of the pandemic in the country and the recent spread of mutated coronavirus had limited impact on citizens' life in China.

Further, the Board believes that the potential reward to be brought by the Acquisition would outweigh the potential risks. In view of the growing trend in box offices in general before the outbreak of COVID-19, the Board is optimistic about the box offices of the Film Project. It is a good timing to make similar investment to seize the benefits from the release of demand for movies following the control of the pandemic as well as making investment at a good price bargained (as mentioned above, the Consideration represents approximately a 15% discount to the appraised value) and no further capital contribution required in relation to the production of the Film Project. The Board believes that the price of the Film Project will be even higher than the Consideration in the future after the whole market is fully recovered.

INFORMATION OF THE GROUP

The Group engages in the design and development, manufacturing and sales of disposable plastic food storage containers.

INFORMATION OF YEEWO PICTURES

Yeewo Pictures is principally engaged in film business. Its ultimate beneficial owner is Chu Yui Raymond. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Yeewo Pictures and its ultimate beneficial owner are independent third parties of the Company and its connected parties.

LETTER FROM THE BOARD

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Supplemental Agreements except for Mr. Xu and Ms. Xu Liping, the connected Directors. Other Directors have unanimously approved the Supplemental Agreements (Mr. Xu and Ms. Xu Liping, the connected Directors, has abstained from voting), and considered that the terms of the Supplemental Agreements are on normal commercial terms, fair and reasonable, and the Supplemental Agreements are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, Mr. Xu holds approximately 50.25% of the issued share capital of the Company through his controlled corporation and is therefore a connected person of the Company. Since one or more applicable percentage ratios (as defined in the GEM Listing Rules) in relation to the Equity Sale and Purchase Agreements are above 5%, according to Chapter 20 of the GEM Listing Rules, the transactions contemplated under the Equity Sale and Purchase Agreements will constitute non-exempt connected transaction of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Since the highest applicable ratio (as defined in the GEM Listing Rules) in relation to the Supplemental Agreements exceeds 5% but is less than 25%, according to Chapter 19 of the GEM Listing Rules, the transactions contemplated under the Supplemental Agreements also constitute discloseable transaction of the Company and are subject to the relevant notification and announcement requirements.

OTHER MATTERS

The Independent Board Committee comprising of all the independent non-executive Directors has been formed to advise the Independent Shareholders on the transactions contemplated under the Supplemental Agreements, and Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Supplemental Agreements, and whether such transactions are in the interests of the Company and its shareholders as a whole.

There will be no change to the aggregate of the remuneration payable to and benefits in kind receivable by the Directors as a result of the Acquisition.

EGM

The Company will convene the EGM at Conference Room 126, No.301, Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province on Friday, 1 April 2022 at 1:00 p.m., at which the resolutions will be proposed for the purpose of considering and, if thought fit, approving, among others, the (i) the transactions contemplated under the Supplemental Agreements. The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

LETTER FROM THE BOARD

A form of proxy for use in connection with the EGM is enclosed with this circular and can also be downloaded from the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yikwo.cn). If you are not able or do not intend to attend the EGM in person and wish to exercise your right as a Shareholder, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be). Completion and return of the form of proxy will not preclude any Shareholder from attending in person and voting at the EGM or its adjournment should he/she/it so wishes. If the Shareholder attends and votes at the EGM, the instrument appointing the proxy will be deemed to have been revoked.

As the Latest Practicable Date, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, other than Mr. Xu and Ms. Xu Liping who shall abstain from voting at the EGM in respect of the Supplemental Agreements, none of the Directors or Shareholders has a material interest on the resolutions proposed at the EGM, and no Shareholder is required to abstain from voting on any of the resolutions at the EGM.

VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions as set out in the notice convening the EGM will be voted by poll and, after being verified by the scrutineer, the results of the poll will be published in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 herein or this circular misleading.

RECOMMENDATION

The Directors believe that the proposed resolutions relating to the Supplemental Agreements are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

GENERAL

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

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
For and on behalf of the Board
Yik Wo International Holdings Limited
Xu Youjiang
Chairman and Executive Director

Yik Wo International Holdings Limited
易和國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8659)

16 March 2022

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF THE TARGET COMPANY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the circular issued by the Company to the Shareholders dated 16 March 2022 (the “**Circular**”) of which this letter forms a part. Unless the context otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Supplemental Agreements. Rainbow Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 22 to 44 of the Circular and the additional information is set out in the appendices thereto.

Having considered the terms of the Supplemental Agreements, and taking into account the independent advice of Rainbow Capital, in particular the principal factors, reasons and recommendations set out in its letter on pages 22 to 44 of the Circular, we consider that the Supplemental Agreements are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned and the Supplemental Agreements are, although not entered into in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the resolutions to be proposed at the EGM to approve the Supplemental Agreements.

Yours faithfully,
the Independent Board Committee
Chung Chi Kit, Liu Dajin, Deng Zhihuang

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

16 March 2022

To the Independent Board Committee and the Independent Shareholders

Yik Wo International Holdings Limited
Room 6, 3/F., Lladro Centre
72 Hoi Yuen Road
Kwun Tong
Kowloon, Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, 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 16 March 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 20 January 2022, the Company entered into the Supplemental Agreements with Mr. Xu, Yeewo Pictures and Mr. Gong, pursuant to which the Company has conditionally agreed to acquire the Sale Shares at the Consideration of RMB20,571,430. The Consideration shall be satisfied by the Company by way of: (i) issue and allotment of 74,482,760 Consideration Shares to Mr. Xu at an issue price of HK\$0.232 per Consideration Share (the “**Issue Price**”); (ii) issue of a debt instrument in the sum of RMB3,085,714 to Yeewo Pictures; and (iii) issue of a debt instrument in the sum of RMB3,085,714 to Mr. Gong. The Sale Shares represent 100% of the issued share capital of the Target Company which in turn shares 10% of investment in and income of the Film Project. Upon Completion, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group and the Company will indirectly share 10% of investment in and income of the Film Project through the Target Company.

LETTER FROM RAINBOW CAPITAL

As at the Latest Practicable Date, Mr. Xu held approximately 50.25% of the issued share capital of the Company through his controlled corporation and is therefore a connected person of the Company. Since one or more applicable percentage ratios (as defined in the GEM Listing Rules) in relation to the Acquisition are above 5%, the Acquisition constitutes a non-exempt connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As one or more of the relevant percentage ratios (as defined in the GEM Listing Rules) in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules. The Consideration Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the EGM.

The Company will seek approval from the Independent Shareholders in respect of the Acquisition by way of a poll at the EGM. As the Latest Practicable Date, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, other than Mr. Xu and Ms. Xu Liping who shall abstain from voting at the EGM in respect of the Acquisition, none of the Directors or Shareholders has a material interest on the resolution(s) proposed at the EGM, and no Shareholder is required to abstain from voting on any of the resolution(s) at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang, has been established to advise the Independent Shareholders on whether the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Mr. Xu, Yeewo Pictures and Mr. Gong that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, Mr. Xu, Yeewo Pictures or Mr. Gong. Accordingly, we are qualified to give independent advice in respect of the Acquisition.

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; (iii) the opinions expressed by and the representations of the Directors and 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 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 are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and 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 Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

LETTER FROM RAINBOW CAPITAL

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and 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 Group, the Target Company or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Supplemental Agreements are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

The Group is principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the PRC.

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 December 2020 as extracted from the annual report of the Company for the year ended 31 December 2020; and (ii) the nine months ended 30 September 2021 as extracted from the third quarterly report of the Company for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Report**”):

(i) *Financial performance*

	For the year ended		For the nine months	
	31 December		ended 30 September	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	212,795	233,181	170,543	190,785
Gross profit	60,420	69,166	50,985	55,084
Other income	59	143	88	191
Selling expenses	(11,019)	(11,543)	(8,232)	(9,231)
Administrative and other operating expenses, including:				
- listing expenses	(20,042)	(25,008)	(22,090)	(11,222)
- listing expenses	(4,790)	(9,997)	(11,658)	—
Finance costs	(226)	(212)	(111)	(152)
Profit attributable to the Shareholders	20,501	20,760	14,330	25,651
Adjusted profit attributable to the Shareholders (Note)	25,291	30,757	25,988	25,651

Note: being the adjusted profit after adding back the listing expenses to the profit attributable to the Shareholders

LETTER FROM RAINBOW CAPITAL

For the years ended 31 December 2019 and 2020

Revenue of the Group increased by approximately 9.6% from approximately RMB212.8 million for the year ended 31 December 2019 to approximately RMB233.2 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in purchase orders for the Group's disposable food storage containers as a result of the increase in demand for take-away food by the general public since the outbreak of COVID-19 in early 2020.

For the same reason for the increase in revenue, the Group's gross profit increased by approximately 14.5% from approximately RMB60.4 million for the year ended 31 December 2019 to approximately RMB69.2 million for the year ended 31 December 2020.

Profit attributable to the Shareholders increased slightly by approximately 1.3% from approximately RMB20.5 million for the year ended 31 December 2019 to approximately RMB20.8 million for the year ended 31 December 2020, primarily attributable to the increase in gross profit as mentioned above, which was partially offset by the increase in (a) selling expenses by approximately 4.8% mainly due to the increase in sales staff costs and transportation expenses; and (b) administrative and other operating expenses by approximately 24.8% mainly due to the increase in staff costs and listing expenses as a result of the listing of the Shares on GEM on 13 July 2020.

Excluding the listing expenses, adjusted profit attributable to the Shareholders increased by approximately 21.6% from approximately RMB25.3 million for the year ended 31 December 2019 to approximately RMB30.8 million for the year ended 31 December 2020.

For the nine months ended 30 September 2020 and 2021

Revenue of the Group increased by approximately 11.9% from approximately RMB170.5 million for the nine months ended 30 September 2020 to approximately RMB190.8 million for the nine months ended 30 September 2021. Such increase was primarily attributable to the increase in demand for take-away food by the general public due to the prolonged COVID-19 outbreak and the increase in production capacity to accommodate the increase in purchase orders.

Gross profit of the Group increased by approximately 8.0% from approximately RMB51.0 million for the nine months ended 30 September 2020 to approximately RMB55.1 million for the nine months ended 30 September 2021. Such increase was at a less extent than that in revenue as more staff costs and depreciation expenses were incurred during the period due to acquisitions of new machines in the second half of 2020.

Profit attributable to the Shareholders increased significantly by approximately 79.0% from approximately RMB14.3 million for the nine months ended 30 September 2020 to approximately RMB25.7 million for the nine months ended 30 September 2021, primarily attributable to (a) the increase in gross profit as mentioned above; and (b) the decrease in administrative and other operating expenses by approximately 49.2% as a result of the re-allocation of materials in

LETTER FROM RAINBOW CAPITAL

research and development to construction in progress and the absence of the non-recurring listing expenses of approximately RMB11.7 million for the nine months ended 30 September 2020. Such increase was partially offset by the increase in selling expenses by approximately 12.1%.

Excluding the listing expenses, adjusted profit attributable to the Shareholders decreased slightly by approximately 1.3% from approximately RMB26.0 million for the nine months ended 30 September 2020 to approximately RMB25.7 million for the nine months ended 30 September 2021.

(ii) Financial position

	As at 31 December		As at
	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets	34,577	50,096	47,835
- Property, plant and equipment	28,077	45,596	44,335
- Intangible assets	6,500	4,500	3,500
Current assets, including:	76,950	113,593	132,474
- Inventories	6,390	7,327	6,886
- Trade and other receivables	38,370	33,870	40,561
- Cash and cash equivalents	26,171	72,396	85,027
Total assets	111,527	163,689	180,309
Current liabilities	28,971	30,196	31,413
- Trade and other payables	26,109	26,688	27,337
- Income tax payable	2,267	2,564	3,109
- Lease liabilities	595	944	967
Non-current liabilities	3,703	3,415	3,202
- Lease liabilities	3,703	3,415	3,202
Total liabilities	32,674	33,611	34,615
Net current assets	47,979	83,397	101,061
Total equity	78,853	130,078	145,694
Current ratio (Note 1)	2.7	3.8	4.2
Gearing ratio (Note 2)	41.4%	25.8%	23.8%

Notes:

1. Being current assets divided by current liabilities
2. Being total liabilities divided by total equity

LETTER FROM RAINBOW CAPITAL

As at 30 June 2021, total assets of the Group were approximately RMB180.3 million which mainly included (a) property, plant and equipment of approximately RMB44.3 million which mainly represented plant and machinery, mould and building held under leases of the Group; (b) trade and other receivables of approximately RMB40.6 million; and (c) cash and cash equivalents of approximately RMB85.0 million.

As at 30 June 2021, total liabilities of the Group were approximately RMB34.6 million, which mainly included (a) trade and other payables of approximately RMB27.3 million; and (b) lease liabilities of approximately RMB4.2 million.

The Group has a sound financial position. As at 30 June 2021, the Group had (a) net current assets of approximately RMB101.1 million with a current ratio of approximately 4.2 times; and (b) a gearing ratio of approximately 23.8% with no external borrowings.

Based on (a) equity attributable to the Shareholders of approximately RMB155.8 million as at 30 September 2021; (b) 600,000,000 issued Shares; and (c) an exchange rate of RMB1: HK\$1.2077 as at 30 September 2021 as extracted from Bloomberg, the net asset value per Share was approximately HK\$0.314 (the “NAV per Share”) as at 30 September 2021.

(iii) Overall comment

The Group’s business operation has exhibited a stable growth for the year ended 31 December 2020 and the nine months ended 30 September 2021 in terms of revenue and net profit. The financial position of the Group is strong given its cash position with no borrowings as at 30 June 2021.

As disclosed in the 2021 Third Quarterly Report, the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors consider that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the Group’s business, as stated in the 2021 Third Quarterly Report. We consider it prudent for the Group to retain financial flexibility to expand its disposable plastic storage container business and capture prospective business opportunities as and when they arise. While the Group will continue to expand its market share in the disposable plastic storage container market, we consider that the Acquisition represents an investment opportunity for the Group to diversify its income stream.

2. Information of the Target Company and the Film Project

(i) The Target Company

Established on 18 August 2021, the Target Company is principally engaged in investment in the Film Project. After a series of reorganisation, the Target Company holds 10% interests in the Joint Investment Contract, and therefore shares 10% of investment in and income of the Film Project.

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According to the Joint Investment Contract, Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司) will be responsible for the production of the Film Project and has sole discretion over all matters related to film production and distribution, while the Target Company as an investor is mainly responsible for fulfilling its obligation of capital contribution. Since its establishment and up to the Latest Practicable Date, the Target Company has not generated any revenue or profit.

(ii) The Film Project

The film under the Film Project is titled English (《英格力士》) (tentative title, subject to the film title set out in the “Permit for Public Projection of Films (電影公映許可證)”, directed by Ms. Chen Chong (the best director of the 35th Golden Horse Awards), and starring by Mr. Wang Zhiwen, Ms. Yuan Quan, Ms. Huo Siyan and Mr. Wang Chuanjun, which is a commercial literary film. As at the Latest Practicable Date, the filming of the Film Project was completed and the post-production work was in progress. The Company is not required to make any further capital contribution to the Film Project. It is expected that the release approval from the PRC government will be obtained in the second or third quarter of 2022, and the post-production work will be completed shortly after the granting of the approval subject to the authority’s comments, so as to enable the release of the Film Project within 2022.

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

As disclosed in the Letter from the Board, in view of (i) the regulatory environment and favourable policy on the PRC’s film market to encourage investment in film production and the long-term development of the film market; and (ii) the considerable increase in box office earnings in the PRC before 2020, the Company believes that the investment in film projects at this moment would enable it to leverage the opportunities arising from the containment of the COVID-19 pandemic in the PRC and the rebound of the demand for entertainment, and seize the opportunity in the emerging film industry.

As advised by the management of the Group, the Company will not be involved in the production of the Film Project and will act as a passive investor only. Unlike the initial investors, the Company will not need to bear the risk of budget overrun or unfinished production due to insufficient funds. As the Film Project is expected to be released within 2022, the return from the Company’s investment in the Film Project is expected to be realised in the short term.

In addition, the Group expects to leverage on the experience of the management of the Group in the animated movie program business and their knowledge in the media, culture and entertainment business, especially Mr. Xu. For details of the experience of Mr. Xu in the animation business, please refer to the section headed “Reasons for and benefits of the entering into of the transactions” in the Letter from the Board. Since the production work of the Film Project is largely completed and therefore minimal supervision will be required for the production of the Film, the Directors consider that Mr. Xu’s experience in the licensing of the intellectual property and distribution of animated programs will be relevant to the Company’s monitoring of the promotion, preparation of the release and distribution of the Film Project.

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Taking into account (i) the Acquisition represents an opportunity for the Group to diversify its income stream; (ii) the Acquisition enables the Group to leverage on the experience, resources and networks of its management team in the media, culture and entertainment business; and (iii) the positive outlook and trends of the film market in the PRC as set out in the section headed “4. Industry overview” below, we concur with the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Industry overview

The table below sets out the PRC’s (i) box office revenue; (ii) number of film screens; and (iii) per capita disposable income of urban households, during the period from 2017 to 2021:

	2017	2018	2019	2020	2021	2017-2021 CAGR
Box office revenue (RMB billion)	55.9	61.0	64.3	20.4	47.3	7.3% (from 2017 to 2019)
Number of film screens	50,776	60,079	69,787	75,581	82,248	12.8%
Per capita disposable income of urban households (RMB)	36,396	39,251	42,359	43,834	47,412	6.8%

Source: National Bureau of Statistics of China (<https://data.stats.gov.cn/easyquery.htm?cn=C01>, <https://data.stats.gov.cn/easyquery.htm?cn=C01>, http://www.stats.gov.cn/tjsj/zxfb/202201/t20220117_1826403.html) and China Film Administration (<https://www.chinafilm.gov.cn/chinafilm/contents/142/4075.shtml>)

As illustrated above, the box office revenue in the PRC increased from approximately RMB55.9 billion in 2017 to approximately RMB64.3 billion in 2019, representing a compound annual growth rate (“CAGR”) of approximately 7.3%. In 2020, the film market declined by approximately 68.3% in terms of box office revenue as the COVID-19 outbreak has severely restricted film screening activity and most multiplex were closed.

According to China Movie Database (https://www.zgdypw.cn/sc/scfx/202106/03/t20210603_7318522.shtml), China’s box office revenue has achieved a major milestone for the week-long 2021 Chinese New Year holiday with record-breaking box office revenue of approximately RMB12.3 billion in February 2021, representing an increase of approximately 9.9% as compared to that in February 2019. In 2021, the total box office revenue in the PRC has amounted to approximately RMB47.3 billion, representing an increase of approximately 131.9% as compared to the previous year. This indicated that the PRC’s film market has gradually recovered from the COVID-19 pandemic.

On the other hand, the number of film screens increased significantly at a CAGR of approximately 12.8% from 50,776 in 2017 to 82,248 in 2021. In addition, the per capita disposable income of urban households in the PRC increased from approximately RMB36,396 in 2017 to approximately RMB47,412 in 2021, representing a CAGR of approximately 6.8%. Such trends are expected to continue to drive the growth of the film industry in the PRC.

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According to Renub Research (<https://www.marketresearch.com/Renub-Research-v3619/China-Cinema-Forecast-Film-Production-14618983/>), the PRC's film market is projected to grow at a CAGR of approximately 30.1% from 2020 to 2026 to reach approximately US\$16.5 billion (equivalent to approximately RMB104.3 billion) in 2026. Renub Research, with more than 10 years of experience in researches, surveys and consulting, is a market research and consulting company providing business research solutions to companies engaged in a variety of industries including healthcare, travel and tourism, food and beverages, power and energy, information technology, telecom and internet and consumer goods (<https://www.renub.com/about-us-1-a.php>).

Since early 2020, the economy and film market in the PRC have been adversely affected by the COVID-19 outbreak as well as the fluctuations in major economies. However, given (i) the COVID-19 pandemic has been kept under control in the PRC since the second half of 2020 and the PRC's economy has exhibited an impressive recovery subsequent to the pandemic; (ii) the PRC's box office revenue has achieved a breaking record in February 2021 and total box office revenue in 2021 has shown significant recovery from that in 2020; (iii) the increasing number of film screens and per capita disposable income of urban households are expected to continue to drive the PRC's film market; and (iv) the expected growth of the PRC's film market as projected by Renub Research, we are of the view that the outlook of the PRC's film market will be generally positive in the long run.

5. Principal terms of the Supplemental Agreements

Set out below is a summary of the principal terms of the Supplemental Agreements. Independent Shareholders are advised to read further details of the Supplemental Agreements set out in the Letter from the Board.

Date	:	20 January 2022
Parties	:	(i) the Company, as the purchaser; and (ii) Mr. Xu, Yeewo Pictures and Mr. Gong, as the vendors
Subject matter	:	100% of the issued share capital of the Target Company (i.e. the Sale Shares)
Consideration	:	RMB20,571,430, which shall be satisfied by way of: (i) issue and allotment of 74,482,760 Consideration Shares to Mr. Xu at the Issue Price of HK\$0.232 per Consideration Share; (ii) issue of a debt instrument in the sum of RMB3,085,714 to Yeewo Pictures; and (iii) issue of a debt instrument in the sum of RMB3,085,714 to Mr. Gong.

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As disclosed in the Letter from the Board, the Consideration was determined and arrived at after arm's length negotiation by the parties with reference to an independent valuation (the "**Valuation**") of 100% interest in the Film Project of RMB240,000,000 as at 10 September 2021 as performed by Vincorn, an independent valuer. The appraised value of the Target Company's 10% interest in the Film Project (the "**Appraised Value**") is RMB24,000,000.

The Consideration represents a discount of approximately 14.3% to the Appraised Value.

- Conditions precedent : Completion is conditional upon, among other things:
- (i) the Company having obtained the approval from the Independent Shareholders in respect of the Acquisition (including the issue and allotment of the Consideration Shares) as required under the GEM Listing Rules; and
 - (ii) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.
- Completion : Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Supplemental Agreements, or such other date as the parties to the Supplemental Agreements may agree in writing. The date of Completion is expected to be on or before 29 July 2022.
- Profit guarantee and penalty interest : Yeewo Pictures agreed to provide a profit guarantee in the sum of RMB25,572,000 (the "**Profit Guarantee**") for the 10% interest in the Film Project.

Given the Consideration of 10% interest in the Film Project is RMB20,571,430, and that the Company is not required to make any further capital contribution into the Film Project, the profit guarantee would mean that the Company will at least record a net profit of RMB5,000,570, being the amount in excess of the Consideration. As disclosed in the Letter from the Board, pursuant to the latest financial statements of Yeewo Pictures as at 31 December 2021, Yeewo Pictures has net assets of over USD10 million, which is far enough to satisfy the Profit Guarantee.

It is expected that the Film Project will be released within 2022 after the approval of the relevant governmental authority. If the Film Project is not released within 2022, Mr. Xu agrees to pay a penalty interest of 5% per annum to the Company based on the investment amount of the Company (i.e. RMB20,571,430) until the release date of the Film Project. The penalty interest (if any) will be accrued from 1 January 2023 until the release date of the Film Project, and be calculated on a pro-rata basis based on the number of days, payable on 31 December each year or within 30 days of the release date of the Film Project, whichever is the earlier.

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6. Valuation of the Film Project

The 100% interest in the Film Project was valued by Vincorn at RMB240,000,000 as at 10 September 2021. Independent Shareholders are recommended to read the full text of the Valuation Report set out in Appendix I to the Circular. We have discussed with Vincorn regarding the methodology, basis and assumptions adopted in arriving at the Valuation. We consider that the methodology, basis and assumptions adopted by Vincorn for determining the Valuation are appropriate after performing the following due diligence:

(i) *Vincorn*

We have conducted an interview with Vincorn to enquire its experience in valuing similar film projects in the PRC and reviewed the track record of Vincorn. We noted that Vincorn (a) had performed impairment assessments on assets in relation to film production and film rights which involved the understanding of the pre- and post- production process in film including related revenue and expense with other related details in the film making industry; and (b) has substantial amount of experience in using income approach for valuation purpose. In addition, we noted that the signors of the Valuation Report, Mr. Freddie Chan and Mr. Vincent Cheung, are (a) an executive director and managing director of Vincorn, respectively; and (b) members of the Royal Institution of Chartered Surveyors with over 10 years' experience in valuation. As such, we consider that Vincorn is appropriately qualified, experienced and competent in performing the Valuation.

In addition, we have enquired with Vincorn as to its independence and were given to understand that Vincorn is a third party independent of the Company, the parties to the Supplemental Agreements and their respective associates and connected persons. Vincorn also confirmed to us that (a) it was not aware of any relationship or interest between itself and the Company or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company; and (b) apart from normal professional fees payable to it in connection with its engagement in relation to the Valuation, no arrangements exist whereby it will receive any fee or benefit from the Company, the parties to the Supplemental Agreements and their respective associates and connected persons. Based on the above, we are of the view that Vincorn is qualified to perform an independent valuation on the Film Project.

Furthermore, we have reviewed the terms of engagement of Vincorn, in particular its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by Vincorn in the Valuation Report. We have also performed work as required under note (1)(d) to Rule 17.92 of the GEM Listing Rules in relation to Vincorn and its work as regards the Valuation.

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(ii) Valuation basis

As stated in the Valuation Report, the Valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum effective from 31 December 2020 and the International Valuation Standards effective from 31 January 2020 published by the International Valuation Standards Council, where applicable.

(iii) Selection of valuation methodology

In determining the Valuation, Vincorn has considered three generally accepted valuation methodologies, namely the market approach, the cost approach and the income approach. Among these valuation methodologies, we concur with Vincorn that the income approach is most appropriate after taking into account the following: (a) the income approach can fully capture the earnings potential of the Film Project by considering the Film Project's future domestic box office revenue net of all related fees and expenses; (b) there are no similar assets in the market that have sufficient information for comparison purpose and as a result, the market approach cannot be adopted; and (c) the cost approach does not directly incorporate information about the economic benefits of the Film Project, and the earnings potential of the Film Project cannot be captured in such a valuation.

(iv) Bases and assumptions

In arriving at the Valuation, Vincorn has primarily considered (a) the estimated gross box office receipts of the Film Project in the PRC; (b) the deduction for contribution to the National Film Industry Development Special Fund; (c) the deduction for value-added tax and surcharges; (d) the sharing by cinemas and cinema circuits; (e) distribution fees to be received by distributors; and (f) the promotional expenses of the Film Project.

(a) Estimated gross box office receipts of the Film Project in the PRC

In estimating the estimated gross box office receipts of the Film Project in the PRC, Vincorn has considered (1) the production cost of the Film Project of RMB70 million; and (2) the multiples (the "**Multiples**") of domestic box office receipts to production cost of comparable firms (the "**Comparable Films**") which (i) are novel-based, excluding those adopting computer-generated imagery significantly or with genre type of swordsman, action and animation; (ii) were produced and released in the PRC during the period from 2015 to 2021; and (iii) have information on production cost and domestic box office disclosed in public source (collectively, the "**Criteria**"). Based on the aforesaid criteria, 8 Comparable Films were identified.

In assessing the completeness of the Comparable Films, we, on a best effort basis, identified a complete list (the "**List**") of films which were produced and released in the PRC during the period from 2015 to 2021 based on our research on the public source including Maoyan (<https://piaofang.maoyan.com/rankings/year>), an Internet-empowered entertainment service platform providing the domestic box office figures and other related information about movies, television shows, and web-based videos which is operated by

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Maoyan Entertainment, a company listed on the Main Board of the Stock Exchange (stock code: 1896) and news websites such as Tencent, Sohu, Zhihu and Jiemian News (established in 2014, Jiemian News is one of the most influential digital media outlets in the PRC with more than 400 editorial staff (<https://en.jiemian.com/about/index.html>)). We further narrowed down the List based on the Criteria and noted that the comparable films we identified were consistent with those identified by Vincorn.

We consider the Comparable Films to be fair and representative given (1) the film under the Film Project is a novel-based movie with features and characteristics similar to those of the Comparable Films; (2) the Film Project and the Comparable Films are based in the PRC; (3) the Comparable Films were produced and released in the most recent periods (i.e. between 2015 and 2021); and (4) the Comparable Films are selected exhaustively based on the aforesaid criteria.

We also consider there is a high correlation between the domestic box office and production cost of a film, given (1) the domestic box office of a film is largely dependent on the main lineup of actors and actresses, the director and the producer as well as the content of the film which are included in the production cost of the film; and (2) a producer will normally determine the budget or cost of a film based on the expected box office and will typically invest more capital in the film production if he/ she expects the film to achieve a higher box office. As such, we consider estimating the gross box office receipts of the Film Project using the Multiples to be fair and reasonable.

The Multiples of the Comparable Films ranged from approximately 5.36 times to approximately 16.85 times with an average and median of approximately 10.05 times and 9.12 times, respectively. Based on (1) the median of the Multiples of the Comparable Films of approximately 9.12 times; and (2) the production cost of the Film Project of RMB70 million, the gross box office receipts of the Film Project are estimated to be approximately RMB638.6 million.

(b) Deduction for contribution to the national film industry development special fund

The deduction for contribution to the national film industry development special fund is determined based on 5% of the gross box office receipts which is in accordance with Article 7 of 國家電影事業發展專項資金徵收使用管理辦法 (Measures for the Administration of the Collection and Use of Special Funds for the Development of the National Film Industry) (the “**Measures**”) formulated by 財政部 (Ministry of Finance) and 新聞出版廣電總局 (State Administration of Press, Publication, Radio, Film and Television) in August 2015.

We have reviewed the Measures and noted that an operating movie projection unit (經營性電影放映單位), including cinemas that sell movie tickets, shall pay 5% of its box office income as contribution to the special fund for films.

(c) Deduction for value-added tax and surcharges

The deduction for value-added tax and surcharges is calculated based on 3.3% of the gross box office receipts which we consider fair and reasonable as it is determined in accordance with the relevant PRC tax law for the movie industry.

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(d) Sharing by cinemas and cinema circuits

The sharing by cinemas and cinema circuits represents approximately 57.0% of the estimated gross box office receipts of the Film Project net of the deductions for contribution to the national film industry development special fund, value-added tax and surcharges. Such proportion is within the range of 50% to 60% which is the standard market practice for movie income allocation as set out in the Valuation Report.

(e) Distribution fees to be received by distributors

The distribution fees to be received by distributors represent approximately 12.0% of the estimated gross box office receipts of the Film Project net of the deductions for contribution to the national film industry development special fund, value-added tax and surcharges, and sharing by cinemas and cinema circuits which is in accordance with the standard market practice as disclosed in the Valuation Report.

(f) Promotional expenses of the Film Project

The promotional expenses of the Film Project are determined based on approximately 2.4% of the gross box office receipts which represents the median of the proportions of promotional cost to domestic box office (the “**Proportions**”) of the Comparable Films which are available in public source. The Proportions range from approximately 1.3% to approximately 7.5% with an average and median of approximately 3.4% and 2.4%, respectively. We consider the promotional expenses of the Film Project to be fair and reasonable given such expenses are estimated based on the available information of the Comparable Films which we consider fair and representative as explained in the sub-section headed “(a) Estimated gross box office receipts of the Film Projects in the PRC” above.

7. Evaluation of the Consideration

(i) Basis of the Consideration

As disclosed in the Letter from the Board, the Consideration is determined with reference to the Valuation performed by Vincorn. The Consideration of RMB20,571,430 represents a discount of approximately 14.3% to the Appraised Value of RMB24,000,000.

In addition, pursuant to the Supplemental Agreements, Yeewo Pictures agreed to provide the Profit Guarantee of RMB25,572,000 for the 10% interest in the Film Project. In other words, the Company will be entitled to an economic benefit of at least RMB5,000,570 (the “**Excess Amount**”), being the amount of the Profit Guarantee in excess of the Consideration, given the Company is not required to make any further capital contribution into the Film Project. The guaranteed return of the Film Project will be approximately 24.3%, being the Excess Amount divided by the Consideration.

Furthermore, pursuant to the Supplemental Agreements, if the Film Project is not released within 2022, Mr. Xu agrees to pay a penalty interest of 5% per annum to the Company based on the investment amount of the Company (i.e. RMB20,571,430) until the release date of the Film Project.

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Taking into account that (a) the Consideration was determined after arm's length negotiation by the parties with reference to an independent valuation (i.e. the Valuation); (b) the methodology, basis and assumptions adopted by Vincorn for determining the Valuation are appropriate as set out in the section headed "6. Valuation of the Film Project" above; (c) The Consideration represents a discount of approximately 14.3% to the Appraised Value; and (d) the Company will be entitled to a guaranteed return of approximately 24.3% from the Film Project due to the Profit Guarantee provided by Yeewo Pictures, we consider the Consideration to be fair and reasonable.

(ii) The Consideration Shares

Pursuant to the Supplemental Agreements, part of the Consideration in the amount of approximately HK\$17.3 million (equivalent to RMB14,400,002) is to be satisfied by the issue and allotment of 74,482,760 Consideration Shares at the Issue Price of HK\$0.232 per Consideration Share by the Company to Mr. Xu at Completion. As disclosed in the Letter from the Board, the Issue Price was determined after arm's length negotiation between the Company and Mr. Xu with reference to the recent price performance of the Shares and the prevailing market conditions.

(a) Price comparison of the Issue Price

The Issue Price of HK\$0.232 per Consideration Share represents:

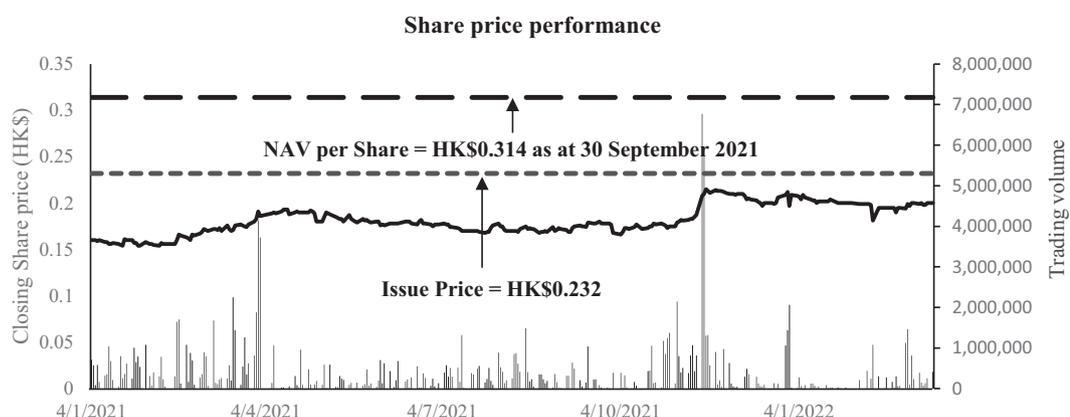
- (1) a premium of approximately 13.73% over the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on 20 January 2022, the date of the Supplemental Agreements (the "Last Trading Day");
- (2) a premium of approximately 14.62% over the average closing price of approximately HK\$0.2024 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 14.40% over the average closing price of approximately HK\$0.2028 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 14.12% over the average closing price of approximately HK\$0.2033 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (5) a premium of approximately 15.48% over the average closing price of approximately HK\$0.2009 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;
- (6) a premium of approximately 20.64% over the average closing price of approximately HK\$0.1923 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;

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- (7) a premium of approximately 26.09% over the average closing price of approximately HK\$0.1840 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- (8) a premium of approximately 16.00% over the closing price of HK\$0.200 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (9) a discount of approximately 26.11% to the NAV per Share as at 30 September 2021.

(b) *Analysis of the historical Share price performance*

In assessing the fairness and reasonableness of the Issue Price, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange for the period from 4 January 2021 to the Last Trading Day (the “**Review Period**”) and up to the Latest Practicable Date, being approximately one year preceding the Last Trading Day:



Source: Bloomberg

As shown in the table above, during the Review Period, the Share price fluctuated between HK\$0.154 (on 20 January, 28 January, 29 January and 8 February 2021) (the “**Lowest Closing Price**”) and HK\$0.215 (on 17 November 2021) (the “**Highest Closing Price**”) per Share. The average closing price of the Shares during the Review Period was approximately HK\$0.1798 per Share (the “**Average Closing Price**”), representing a discount of approximately 22.50% to the Issue Price.

The Share price closed at HK\$0.204 per Share on 20 January 2022, the Last Trading Day. Since then and up the Latest Practicable Date, the Share price fluctuated between HK\$0.181 and HK\$0.203 per Share. As at the Latest Practicable Date, the Share price closed at HK\$0.200 per Share, representing a discount of approximately 13.79% to the Issue Price.

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The Issue Price of HK\$0.232 per Consideration Share represents (1) a premium of approximately 50.65% over the Lowest Closing Price of HK\$0.154 per Share; (2) a premium of approximately 7.91% to the Highest Closing Price of HK\$0.215 per Share; and (3) a premium of approximately 29.03% to the Average Closing Price of approximately HK\$0.1798 per Share. The Shares were closed below the Issue Price and the NAV per Share at all times during the Review Period and up to the Latest Practicable Date.

As set out in the chart below, during the Review Period and up to the Latest Practicable Date, the Share closing price has at all times closed at a discount to the then available net asset value per Share, ranging from approximately 25.06% to approximately 43.42% with an average and median of approximately 35.19% and 34.33%, respectively. The discount of approximately 26.11% as represented by the Issue Price to the NAV per Share as at 30 September 2021 is in the low end of the aforesaid range.



Source: Bloomberg

(c) Analysis of comparable transactions

To further assess the fairness and reasonableness of the Issue Price, we have, on a best effort basis, researched and identified an exhaustive list of transactions in relation to acquisitions involving the issue of consideration shares conducted by companies listed on the Stock Exchange (the “**Comparables**”) as announced during the period from 1 October 2021 to the Latest Practicable Date (being approximately three months prior to the Last Trading Day) (the “**Comparable Period**”). Based on the aforesaid criteria, we have identified an exhaustive list of 25 Comparables.

Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company are not the same as, or even substantially vary from, those of the Comparables and their respective issuers. Notwithstanding the above, the table below demonstrates the pricing of issues of consideration shares for acquisition purposes under recent market sentiment and provides a general reference for assessing the fairness and reasonableness of the Issue Price.

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We consider the Comparables to be fair and representative given (1) the Comparables adequately cover the prevailing market conditions and sentiments of the capital market in Hong Kong; (2) the Comparables identified during the Comparable Period represent recent structures of consideration shares issued as consideration for acquisitions by companies listed on the Stock Exchange; (3) similarity of the nature of the consideration shares; and (4) the sufficient number (i.e. size of 25) of the Comparables identified.

Set out below are the details of the Comparables:

Date of announcement	Company name (stock code)	Premium/(discount) of the issue price over/(to)			
		the closing price per share on/prior to the date of agreement <i>(approximate)</i>	the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement <i>(approximate)</i>	the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement <i>(approximate)</i>	the then net asset value per share attributable to shareholders <i>(approximate)</i>
8 October 2021	Universal Star (Holdings) Limited (2346.HK)	(18.61%)	(18.91%)	(14.56%)	182.07% <i>(Note 1)</i>
15 October 2021	Kinetix Systems Holdings Limited (8606.HK)	(6.25%)	0.00%	(4.73%)	(5.92%)
19 October 2021	Tong Kee (Holding) Limited (8305.HK)	(20.00%)	(21.88%)	(22.54%)	1.22%
20 October 2021	Heng Tai Consumables Group Limited (197.HK)	(19.84%)	(1.94%)	(0.98%)	(85.47%)
28 October 2021	Vongroup Limited (318.HK)	(15.06%)	(14.09%)	(16.56%)	(79.26%)
29 October 2021	Geely Automobile Holdings Limited (175.HK)	(11.42%)	(12.65%)	(10.52%)	193.81% <i>(Note 1)</i>
1 November 2021	Furniweb Holdings Limited (8480.HK)	37.25%	41.36%	40.51%	(7.86%) <i>(Note 1)</i>
3 November 2021	China Tontine Wines Group Limited (389.HK)	(6.54%)	(8.09%)	(7.24%)	(59.03%) <i>(Note 1)</i>
10 November 2021	China Sunshine Paper Holdings Company Limited (2002.HK)	(8.67%)	(9.71%)	(10.23%)	(66.48%) <i>(Note 1)</i>
18 November 2021	Starrise Media Holdings Limited (1616.HK)	0.00%	(0.63%)	(0.82%)	(73.02%) <i>(Note 1)</i>
26 November 2021	Auto Italia Holdings Limited (720.HK)	(16.36%)	(16.36%)	(16.01%)	79.55%
29 November 2021	EC Healthcare (2138.HK)	(0.18%)	(1.03%)	0.20%	601.49%
29 November 2021	National Arts Group Holdings Limited (8228.HK)	9.71%	2.73%	(2.67%)	Net liability position

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Date of announcement	Company name (stock code)	Premium/(discount) of the issue price over/(to)			
		the closing price per share on/prior to the date of agreement <i>(approximate)</i>	the average closing price per share for the last five consecutive trading days prior to/up to the date of agreement <i>(approximate)</i>	the average closing price per share for the last ten consecutive trading days prior to/up to the date of agreement <i>(approximate)</i>	the then net asset value per share attributable to shareholders <i>(approximate)</i>
1 December 2021	Creative China Holdings Limited (8368.HK)	2.47%	0.00%	(1.62%)	55.32% <i>(Note 1)</i>
2 December 2021	Heng Tai Consumables Group Limited (197.HK)	(19.38%)	(17.20%)	(13.84%)	58.82%
8 December 2021	Bojun Education Company Limited (1758.HK)	82.80%	81.62%	81.04%	(31.64%) <i>(Note 1)</i>
15 December 2021	Starlight Culture Entertainment Group Limited (1159.HK)	111.54%	101.22%	91.86%	890.40%
17 December 2021	Meitu, Inc. (1357.HK)	1.22%	0.97%	(0.12%)	74.97% <i>(Note 1)</i>
24 December 2021	Minshang Creative Technology Holdings Limited (1632.HK)	(2.21%)	(1.04%)	0.00%	249.80%
31 December 2021	CN Logistics International Holdings Limited (2130.HK)	(8.91%)	(7.44%)	(8.65%)	589.06%
4 January 2022	C-MER Eye Care Holdings Limited (3309.HK)	(8.35%)	(5.77%)	(5.07%)	463.84%
20 January 2022	EuroEyes International Eye Clinic Limited (1846.HK)	(11.08%)	(6.90%)	(4.41%)	177.48%
25 January 2022	CEFC Hong Kong Financial Investment Company Limited (1520.HK)	0.92%	(4.76%)	(5.98%)	80.61%
25 February 2022 <i>(Note 3)</i>	Golden Ponder Holdings Limited (1783.HK)	(19.71%)	(18.79%)	(16.37%)	38.72%
25 February 2022 <i>(Note 3)</i>	Golden Ponder Holdings Limited (1783.HK)	(19.71%)	(18.79%)	(16.37%)	38.72%
	Maximum	111.54%	101.22%	91.86%	890.40%
	Minimum	(20.00%)	(21.88%)	(22.54%)	(85.47%)
	Average	1.35%	1.68%	1.37%	140.30%
	Median	(8.35%)	(5.77%)	(5.07%)	57.07%
20 January 2022	The Company	13.73%	14.62%	14.40%	(26.11%)

Notes:

1. An exchange rate of RMB1 = HKD1.20 is used for conversion purpose;
2. An exchange rate of RM1 = HKD1.86 is used for conversion purpose; and
3. Represents two different acquisitions conducted by Golden Ponder Holdings Limited on 25 February 2022.

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As illustrated above, the issue prices of the Comparables ranged from:

- (1) a discount of approximately 20.00% to a premium of approximately 111.54% to/over the closing price per share on/prior to the date of agreement with an average of a premium of approximately 1.35% and a median of a discount of approximately 8.35%;
- (2) a discount of approximately 21.88% to a premium of approximately 101.22% to/over the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement with an average of a premium of approximately 1.68% and a median of a discount 5.77%;
- (3) a discount of approximately 22.54% to a premium of approximately 91.86% to/over the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement with an average of a premium of approximately 1.37% and a median of a discount of approximately 5.07%; and
- (4) a discount of approximately 85.47% to a premium of approximately 890.40% to/over the then net asset value per share attributable to the shareholders with an average of a premium of approximately 140.30% and a median of a premium of approximately 57.07%.

Given (1) the premiums as represented by the Issue Price over the closing price per Share on the Last Trading Day, the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day and the average closing price per Share for the last ten consecutive trading days up to and including the Last Trading Day of approximately 13.73%, 14.62% and 14.40%, respectively, are within the range of, and compare favorably to the average and median of, those of the Comparables; and (2) the discount of approximately 26.11% as represented by the Issue Price to the NAV per Share is within the range of those of the Comparables, we consider that the Issue Price is determined in line with the market practice.

(d) Overall comment

Although the Issue Price represents a discount of approximately 26.11% to the NAV per Share as at 30 September 2021, taking into account that (1) the premiums of the Issue Price over the closing Share prices for various periods in the 180 trading days up to and including the Last Trading Day are in the range of approximately 13.73% to 26.09%; (2) the Issue Price represents a premium of approximately 29.03% to the Average Closing Price; (3) the Share price closed below the Issue Price and the NAV per Share at all times during the Review Period and up to the Latest Practicable Date; (4) the Share closing price has at all times closed at a discount to the then available net asset value per Share, ranging from approximately 25.06% to approximately 43.42%, during the Review Period and up to the Latest Practicable Date; and (5) the premiums as represented by the Issue Price over the closing price per Share on the Last Trading Day, the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day and the

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average closing price per Share for the last ten consecutive trading days up to and including the Last Trading Day and the discount as represented by the Issue Price to the NAV per Share are within the range of those of the Comparables, we consider the Issue Price to be fair and reasonable as far as the Independent Shareholders are concerned.

(iii) The debt instruments

Pursuant to the Supplemental Agreements, part of the Consideration in the amount of RMB6,171,428 is to be satisfied by the issue of debt instruments by the Company to Yeewo Pictures and Mr. Gong upon Completion. The said debt instruments will not carry interest and will be repayable on demand after the release of the Film Project.

Taking into account that (a) the debt instruments will not carry interest; (b) the debt instruments allow the Company to avoid an immediate cash outflow and delay the timing of payment to a time after the release of the Film Project; and (c) the issue of the debt instruments will not have a material impact on the gearing of the Group as illustrated in the following section, we are of the view that the issue of the debt instruments is fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial effects of the Acquisition

Upon Completion, (i) the Target Company shall become a wholly-owned subsidiary of the Company and the financial statements of the Target Company shall be consolidated into the consolidated financial statements of the Group; and (ii) the Company shall share 10% of investment in and income of the Film Project through the Target Company.

(i) Earnings

Upon Completion, the Company will hold 100% equity interest in the Target Company and 10% of the earnings of the Film Project will be attributable to the Company. It is expected that the Film Project will be released within 2022. In addition, Yeewo Pictures agreed to provide the Profit Guarantee of RMB25,572,000, in excess of the Consideration, for the 10% interest in the Film Project pursuant to the Supplemental Agreements. Although the Acquisition would not immediately contribute revenue and profit to the Group upon Completion, the Directors expect that the Target Company will contribute to the results of the Group once the Film Project is released.

(ii) Net asset value per Share

As at 30 September 2021, equity attributable to the Shareholders was approximately RMB155.8 million. Taking into account (a) the issue and allotment of 74,482,760 Consideration Shares in the amount of approximately HK\$17.3 million; and (b) the Profit Guarantee provided by Yeewo Pictures, it is expected that the Acquisition will not have a material impact on the net asset value per Share.

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(iii) Gearing

The Group had no external borrowings as at 30 June 2021. It is expected that the issue of the debt instruments in the amount of RMB6,171,428, coupled with the issue and allotment of the Consideration Shares, will not have a material adverse impact on the gearing of the Group.

(iv) Working capital

Given that the entire Consideration shall be satisfied by the issue and allotment of the Consideration Shares and the debt instruments, the Acquisition will not result in any cash outflow for the Group upon Completion. Although the debt instruments of RMB6,171,428 will be repayable on demand after the release of the Film Project, in view of the Group's cash position as at 30 June 2021 and the Profit Guarantee provided by Yeewo Pictures, we consider that the Acquisition will not have a material impact on the Group's working capital.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

9. Shareholding structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion and the allotment and issue of the Consideration Shares (assuming no further Shares are issued between the Latest Practicable Date and the Completion Date):

	As at the Latest Practicable Date		Immediately after Completion and the allotment and issue of the Consideration Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Prize Investment				
Limited*	301,500,000	50.25	301,500,000	44.70
Mr. Xu	—	—	74,482,760	11.04
Merit Winner Limited	67,500,000	11.25	67,500,000	10.01
Public Shareholders	231,000,000	38.50	231,000,000	34.25
Total	600,000,000	100.00	674,482,760	100.00

* Prize Investment Limited is a corporation controlled by Mr. Xu.

Assuming there was no further issue of Shares between the Latest Practicable Date and the Completion Date, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 38.50% as at the Latest Practicable Date to approximately 34.25% upon Completion. We consider such dilution effect acceptable given the principal factors and reasons as discussed above. Following Completion, the Company shall secure interests in the Target Company and therefore the Film Project which is expected to contribute to the results of the Group after the release of the Film Project.

LETTER FROM RAINBOW CAPITAL

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Supplemental Agreements are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Supplemental Agreements, while not in the ordinary and usual course of business of the Group, is nevertheless in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry

The following is the text of a valuation report prepared for inclusion in this document, received from Vincorn, an independent valuer, in connection with their valuations as of 10 September 2021 of the Film Project to be acquired by the Group.



1. Preambles

1.1. Instruction

Vincorn Consulting and Appraisal Limited (“Vincorn”) are pleased to submit our valuation report, which has been prepared for Yik Wo International Holdings Limited (the “Instructing Party” or the “Company”) for public documentation purposes.

The valuation has been carried out in accordance with the engagement letter dated 2 August 2021 (the “Engagement Letter”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Engagement Letter.

1.2. Subject

The subject valuation of a movie is named 英格力士 (the “Target Movie”). 英格力士 is a novel-based movie staged during the Cultural Revolution era where it is about a boy name 劉愛 who has an interest in learning English which is sparked by the kindness and elegance of his English teacher. This movie in genre of drama overall delves into the experience of learning English during such period and the relationship amongst the teachers, students, and their families.

This novel is written by 王剛 which this story has received the highest rating on the theme of growing up based on 豆瓣 website. Also, the director of this Target Movie is 陳沖 with the main actors are 張翊峰 (Name in Movie: 劉愛), 王傳君 (Name in Movie: 王亞軍), 袁泉 (Name in Movie: 萱琪), 王志文 (Name in Movie: 劉承宗), 戚玉武 (Name in Movie: 馮冀才), 霍思燕 (Name in Movie: 黃旭升), and 蘇比努爾 (Name in Movie: 阿吉泰).

陳沖, the director, is also well-known actor as well where she has begun her career as an actress and grew in prominence in the movie “青春” during 1976 and won the 大眾電影百花獎’s best actress award during 1980 for the movie 小花. She has directed her first film “天浴” during 1997 which she has won the 35th Golden Horse Awards for best director that year and this film has also won 6 other different awards as well. In addition, she has directed a Hollywood movie called “Autumn in New York” in 2000 with global box office revenue of 100 million USD. Hence, she has substantial experiences in both acting and directing.

The production of the Target Movie has been completed on the year of 2017 and it is expected to be released during the second or third quarter of 2022.

1.3. Economic Overview

According to the National Bureau of Statistics of China, the nominal gross domestic product (“GDP”) of China in 2020 was RMB101.6 trillion, a year over year nominal increase of 2.3% comparing to 2019.¹

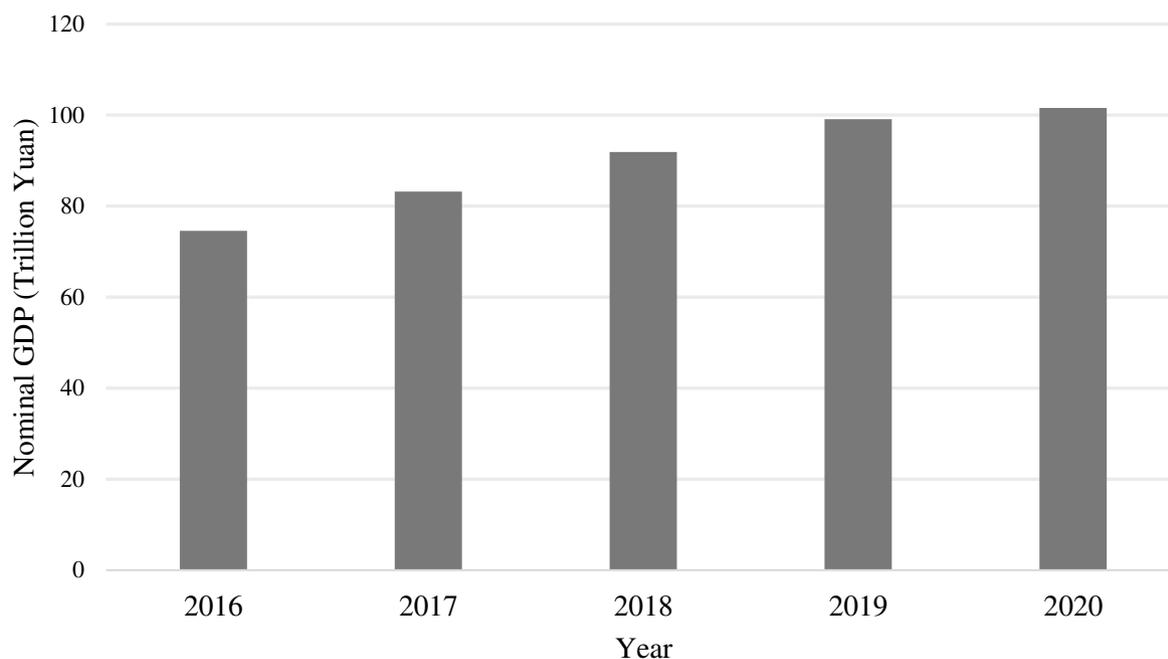
China was the second largest economy in the world, ranked after the United States, in terms of nominal GDP measured by the International Monetary Fund (“IMF”) in 2020.² Despite the pandemic situation has resulted in a global contraction, China is the first and only major economy to recover and enter 2021 with a relatively optimistic outlook. China’s GDP growth shrank by 6.8 percent year-on-year in Q1 2020. However, it bounced back to a growth rate of 3.2 percent in Q2 and 4.9 percent in Q3.³ According to The Guardian, industrial production in September rose 6.9% compared to the same period last year and retail sales were up 3.3%. Auto sales for the month also increased 12.8% while domestic air travel exceeded pre-pandemic levels. This has indicated a resurgence of the economy.⁴

China’s success in controlling the pandemic has strengthen its own economy in terms of foreign trade during 2020. Especially for the retail trade industry, the ‘stay-at-home’ economy and ‘online’ new economy amid the COVID-19 pandemic has boosted the export growth of China’s home appliances and computers. According to the Journal of Chinese Economic and Business Studies, the exports of tablets, laptops and home appliances has increased by 19.9%, 17.6%, and 17.3%, in the first three quarters of 2020, respectively.⁵

Over the past five years from 2016 to 2020, compound annual growth rate of China’s nominal GDP was 8.0% whereas the Chinese government targeted to grow its GDP by around 6.0% annually for the period from 2016 to 2020.⁶ Figure 1 illustrates the nominal GDP of China from 2016 to 2020.

- 1 National Economy Recovered Steadily in 2020 with Main Goals Accomplished Better Than Expectation. National Bureau of Statistics of China, 18 Jan. 2021, www.stats.gov.cn/english/PressRelease/202101/t20210118_1812432.html.
- 2 International Monetary Fund World Economic Outlook (April - 2021). “Projected Gdp Ranking.” *World GDP Ranking 2021*, Statistics Times, 3 June 2021, statisticstimes.com/economy/projected-world-gdp-ranking.php.
- 3 Zoey Zhang. What to Expect as China’s Economy Enters 2021. China Briefing, 12 Jan. 2021, www.china-briefing.com/news/china-2021-economic-outlook-foreign-investor-expectations/.
- 4 Lily Kuo. “China Becomes First Major Economy to Recover from Covid-19 Pandemic.” The Guardian, Guardian News and Media, 19 Oct. 2020, www.theguardian.com/business/2020/oct/19/china-becomes-first-major-economy-to-recover-from-covid-19-pandemic.
- 5 Duan, Wenjing, et al. The Impact of Covid-19 on China’s Trade and Outward FDI ad Related Countermeasures. 10 Dec. 2020, www.tandfonline.com/doi/full/10.1080/14765284.2020.1855395.
- 6 Andrew Mullen. China GDP: Economic Growth Target of ‘above 6 per Cent’ for 2021 Confirmed by Premier Li Keqiang. South China Morning Post - China Economy, 5 Mar. 2021, www.scmp.com/economy/china-economy/article/3124166/china-gdp-premier-li-keqiang-confirms-gdp-growth-target-above.

Figure 1 — China's Nomial GDP from 2016 to 2020



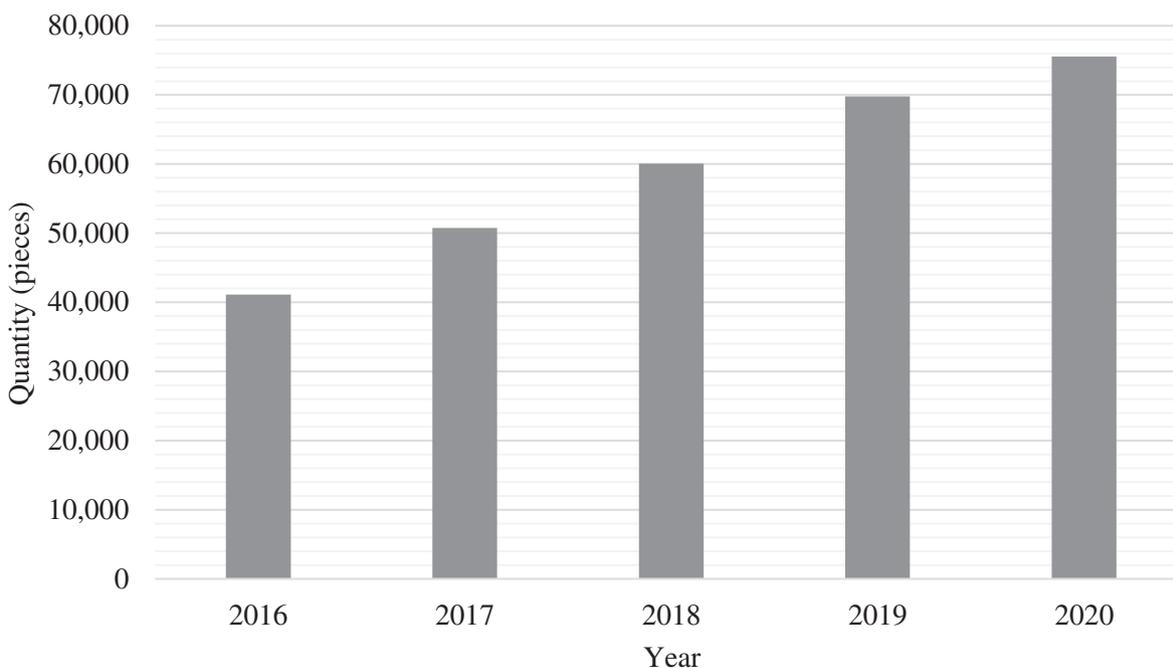
1.4. Industry Overview

1.4.1. Film market in China

In the past decade, the expansion of China filming industry has prompted significant attention around the world. Just before 2020, China has been the second largest film producer for 8 years, while it has surpassed the US market with a 35% higher box performance in the same year. Disrupted by the pandemic situation, the box performance in China has recorded a \$20.4 billion revenue in 2020, which is a fall for nearly 68% year-on-year. Still, the enormous jump of the ticket sale from Chinese movie theatres is believed as a short-term phenomenon and the conditions would get recovered soon. While the Chinese government supports the industry through raising the quota of foreign films, rising disposable incomes, growing number of working populations, rapid technology development in the filmmaking and film-screening equipment manufacturing industries, also contribute to the success and accelerated growth of the filming development⁷. Figure 2 illustrates the pieces of movie screens in China from 2016 to 2020.⁸

7 網易 酷玩實驗室. 中國電影市場到底有多牛逼了? 好萊塢已經近黃昏了?. 網易號, 25 Jan. 2021, www.163.com/dy/article/G16GCFS50511BCOA.html.

8 2021 年中國電影市場發展現狀分析 2020 年疫情影響下電影票房收入下降近 70%. 前瞻產業研究院, 17 May 2021, bg.qianzhan.com/trends/detail/506/210517-d760dff4.html.

Figure 2 — Movie Screens in Chinese Cinema from 2016 to 2020

1.4.2. Development of novel-based movies

Intellectual property (IP) adaptations have been a pillar of Chinese filmmaking for decades, while most domestic IP works are born from novels, either in printed or e-version. The models of IP adaptation plus films are seen more frequent in the market, especially the domestic IP films has strong impact on the box office accordingly.⁹

1.5. Valuation Date

The valuation date is 10 September 2021.

1.6. Valuation Basis

The valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum effective from 31 December 2020 and the International Valuation Standards effective from 31 January 2020 published by the International Valuation Standards Council, where applicable.

The valuation is based on the going concern premise and conducted on a market value basis.

⁹ Xu, Tingting. "IP Business Models and Its Adaptations in China." 404, CGTN, 5 Mar. 2019, news.cgtn.com/news/3d3d414d3241544d33457a6333566d54/index.html.

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

1.7. Currency

Unless otherwise stated, all monetary sums stated in this report are in Renminbi.

1.8. General Reservations

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

1.9. Caveats and Assumptions

This report is subject to and includes our Standard Caveats and Assumptions as set out in the appendices at the end of this report, as well as our agreed terms of our engagement.

1.10. Limiting Conditions

The valuation report is subject to the limiting conditions as attached in Appendix 1.

1.11. Confidentiality

The information contained herein is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the information contained herein.

1.12. Non-disclosure

Neither the whole nor any part of the valuation report nor any reference thereto may be included in any published documents, circulars or statements, nor published in any ways whatsoever without a prior written approval of Vincorn as to the form and context in which it may appear.

2. Scope of Work

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and / or its representative (together referred to as the “Management”).

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information in respect of the Subject;
- Examined the relevant basis and assumptions of the financial information in respect of the Subject provided by the Management;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

No on-site inspection has been made as part of the agreed-upon procedures for this valuation task.

3. Sources of Information

In conducting our valuation of the Subject, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management and the public:

- Background information of movie related to 英格力士 and relevant corporate information;
- Financial forecast provided by the Management relating to the movie 英格力士; and
- Other reliable sources.

4. Valuation Assumption and Rationale

For the purpose of determining the movie of the Subject, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;
- We have assumed that the conditions in which the Subject is operated, and which are material to revenue and costs of the businesses of the Subject will have no material change;

- We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Client;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Subject;
- We have assumed that all licenses and permits that is essential for the operation of the Subject can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

5. Valuation Methodology

5.1. Selection of Valuation Approach

There are three generally accepted approaches to assess the movie of the Subject, namely, Market Approach, Cost Approach and Income Approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined with reference to the most common adoption when similar subjects is being valued.

Market Approach

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Although this approach is widely used, the main difficulties with this approach are the lack of information and full details regarding the sale of similar assets.

We have considered but decided against Market Approach as there are no similar assets in the market for comparison purpose that has sufficient information. Therefore, Market Approach is not appropriate to estimate the movie of the Subject and is not adopted in our valuation.

Cost Approach

Cost Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered but decided against Cost Approach as this approach disregards the future profit potentials of the Subject. Therefore, Cost Approach is not appropriate to estimate the movie and is not adopted in our valuation.

Income Approach

Income Approach values assets (ie. Target Movie) with reference to the capitalized value of income, cash flows or cost savings that can hypothetically be earned or achieved by a market participant owning the assets.

We consider Income Approach to be appropriate to value the Subject because it can fully reflect the Target Movie's future income in relation to the domestic box office revenue net of all related fees and other income. Adopting such approach can better illustrate the future earnings potential in the valuation. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits in present terms.

5.2. Major Assumptions of the Cash Flow Projection

The major assumptions of the Cash Flow Projection are as follows:

Revenue

The major assumptions of revenue have several components as follows:

1. **Gross Box Office Receipts of The Target Film in the People Republic of China (PRC)**
The gross box office receipt of the Target Film is derived from market median of comparable films of the Target Film. For further details, please refer to section 5.3 of this report.
2. **Standard Deduction to National Film Industry Development Special Fund**
The deduction to national film industry development special fund is based on 5% of the gross box office receipts which is in accordance with the law of PRC relating to Article 7 of 國家電影事業發展專項資金徵收使用管理辦法 under 電影管理條例.
3. **Standard Deduction for Value Added Tax and Surcharges**
The deduction to value added tax and surcharges is based on 3.3% of the gross box office receipts which is in accordance with the VAT and surcharges tax law of PRC for the movie industry.
4. **Sharing by Cinemas and Cinema Circuits**
The sharing by cinemas and cinema circuits is based on management's estimate of the sharing proportion which is within range of 50% - 60% that is standard market practice for movie income allocation.
5. **Copyright Income**
The other income as copyright income is derived based on a similar movie contract reference that has been completed and is disclosable. Such term requires that the copyright income will be 34 million RMB should the gross box office receipts of the Target Movie be less than 700 million RMB.

Cost

The major assumptions of expense have several components as follows:

1. Distribution Fees to be Received by Distributors

The distribution fees to be received by distributors is approximately 12% of the gross box office receipt net of deduction for contribution to the Fund, value added tax and surcharges, and sharing by cinemas and cinema circuits, which is based standard practice in the market.

2. Promotional Expenses

The promotional expenses are based on approximately 2.43% of the gross box office receipts of the Target Movie in the PRC that is consistent with the market median of the comparable movies' research that is disclosable with such calculation illustrated on page 14 of this report.

5.3. Valuation of the Target Movie

To determine the valuation of the Subject, we have conducted our valuation based on Income Approach.

Income Approach values assets with reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the assets. In this case, there shall be the income that is related to the domestic box office revenue net of the relevant expenses and other income to be received by having ownership of this Target Movie.

Details of the 100% net income generated by the Target Movie as at the Valuation Date are as follows:

Summary of the Target Movie Valuation

Valuation Conclusion

Financial Line Items	Note	RMB
Estimated Gross Box Office Receipts of The Target Movie in the Mainland China	Note 1	638,631,117
Less: Deduction for Contribution to the National Film Industry Development Special Fund	Note 2	(31,931,556)
Less: Deduction for Value Added Tax and Surcharges	Note 3	<u>(21,074,827)</u>
Subtotal		585,624,734
Less: Sharing by cinemas and cinema circuits	Note 4	<u>(333,806,098)</u>
Net Box Office Receipts of The Target Movie in the PRC		251,818,636
Add: Copyright income	Note 5	<u>34,000,000</u>
Total Revenue		285,818,636
Less: Distribution fees to be received by distributor(s)	Note 6	(30,218,236)
Less: Promotional expenses of the Target Movie	Note 7	(15,530,307)
Less: Stamp Duty		<u>(19,650)</u>
Total Expense		<u>(45,768,194)</u>
Total Earnings to be generated by the Target Movie		240,050,442
100% Earnings to be generated by the Target Movie (rounded):		<u><u>240,000,000</u></u>

* The figures may not add up due to rounding.

Note 1: The estimated gross box office receipt of the Target Movie is derived from market median of comparable movies of the Target Movie illustrated per below:

The Comparable Movies for deriving the estimated Gross Box Office Receipts of The Target Movie in the PRC

Due care was exercised in the selection of comparable movies by using reasonable criteria in deciding whether or not a particular movie is relevant. In selecting the comparable movie, we started with the description of the movie, genre of the movie, location of the film and other criteria. In order to comprise a representative set of comparable films to derive the valuation result, certain criteria have to be set to ensure similarity between the comparable movie and the Target Movie.

Firstly, our focus is to identify films which the story is based on a novel as that is the core feature of the Target Movie. Also, the comparable movies should be based in China and that it shall exclude movies that adopt computer-generated imagery, films with genre type of swordsman (武俠), action, and animation as these features do not fit with the core characteristics of the Target Movie. In addition, the information of the comparable movies such as production cost and domestic box office are disclosed in public source. As a result, comparable movies with similar feature in relation to the characteristics of the Subject are identified. We consider the list of comparable movies an exhaustive list, we consider this selection basis is reasonable and the sample list is fair and representative. As a result, the comparable films were selected with reference to the criteria as follows:

- The comparable movies are novel-based;
- The comparable movies are to exclude movies that adopt computer-generated imagery significantly, films with genre type of swordsman (武俠), action, and animation;
- The comparable movies have been selected from 2015 to 2021;
- The comparable movies are produced and released in the Mainland China; and
- The comparable movies to have figures for production cost and domestic box office disclosed in public source;

We have then identified 8 comparable movies which are comparable to the Target Movie with the aforesaid criteria and calculated the domestic box office/production cost ratio of each comparable movie. The following is the exhaustive list of the comparable movies that we have selected in connection with the valuation of the Target Movie.

Detail of the Comparable Movies

Year of Release in PRC	Name of the Movie	Director(s)	Actors	Genre
2015	烈日灼心	曹保平	鄧超, 段奕宏, 郭濤, 王珞丹	Drama/Suspense/Crime
2016	百鳥朝鳳	吳天明	陶澤如, 鄭偉, 李岷城	Drama/Music
2016	我不是潘金蓮	馮小剛	范冰冰, 郭濤, 大鵬, 張嘉譯, 於和偉, 張譯, 李宗翰	Drama
2016	從你的全世界路過	張一白	鄧超, 白百何, 楊洋, 張天愛, 岳雲鵬, 柳岩, 杜鵑	Drama/Romance
2017	傲嬌與偏見	李海蜀/黃彥威	迪麗熱巴, 張雲龍, 高偉光, 金晨, 馬薇薇	Drama/ Romance
2017	芳華	馮小剛	黃軒, 苗苗, 鍾楚曦	Drama/History/War
2019	少年的你	曾國祥	周冬雨, 易烱千璽, 尹昉, 黃覺, 吳越	Drama/Love/Crime
2020	我在時間盡頭等你	姚婷婷	李鴻其, 李一桐, 范偉, 張超 / 羅輯	Drama/Romance

Once the comparable movies are identified, to derive an appropriate estimate for domestic box office for the Target Movie, we have then identified each comparable movies' domestic box office and production cost as both of these inputs have a strong tendency for a correlation and a form of relationship, A successful or unsuccessful domestic box office are driven by different factors with the main lineup of actors and the content of the movie to be key factors to determine such success/unsuccess of the domestic box office. Such key factors are included in the production cost of movies and with such significant relationship between domestic box office and production cost identified, we have therefore proceeded to compute the domestic box office for the Target Movie in such perspective. Below illustrates our research and calculation on the domestic box office computation of the Target Movie based on the above logic:

Valuation Multiple for Domestic box office/Production Cost of the Comparable Movies

Year of Release in the Mainland China	Movie	Domestic Box Office (RMB) ¹⁰	Production Cost (RMB, Budget)	Multiple of Domestic Box Office/Production Cost
2015	烈日灼心	303,397,000	30,000,000	10.11
2016	百鳥朝鳳	86,752,000	12,000,000	7.23
2016	我不是潘金蓮	482,794,000	90,000,000	5.36
2016	從你的全世界路過	813,337,000	100,000,000	8.13
2017	傲嬌與偏見	124,272,000	20,000,000	6.21
2017	芳華	1,422,991,000	130,000,000	10.95
2019	少年的你	1,558,262,000	100,000,000	15.58
2020	我在時間盡頭等你	505,409,000	30,000,000	16.85
			Median:	9.12

Calculation Details of the estimated Gross Box Office Receipts of The Target Movie in the Mainland China

Calculation	Amount
Multiple of Domestic box office/Production Cost	9.12x
Production Cost of the Target Movie (RMB)	<u>70,000,000</u>
Estimated Gross Box Office Receipts of The Target Movie in the Mainland China (RMB)	<u><u>638,631,117</u></u>

Note 2: The deduction to national film industry development special fund is based on 5% of the gross box office receipts which is in accordance with the law of PRC relating to Article 7 of 國家電影事業發展專項資金徵收使用管理辦法 under 電影管理條例¹¹.

¹⁰ 貓眼專業版, <https://piaofang.maoyan.com/>.

貓眼專業版 is one of the most popular website that provides mainly the domestic box office figures and other related information about movies, television shows, and web-based videos.

¹¹ “財政部 新聞出版廣電總局關於印發《國家電影事業發展專項資金徵收使用管理辦法》的通知”, 中國人民共和國人民政府, 31 August 2015, http://www.gov.cn/gongbao/content/2016/content_5036288.htm.

Note 3: The deduction to value added tax and surcharges is based on 3.3% of the gross box office receipts which is in accordance with the VAT and surcharges tax law of PRC for the movie industry¹². The VAT will continue to be exempted until 31 Dec 2021 but for prudence, we will continue to adopt it for valuation purpose.¹³

Note 4: The sharing by cinemas and cinema circuits is based on management's estimate of the sharing proportion which is within range of 50% - 60% that is standard market practice for movie income allocation.

Note 5: The other income as copyright income is derived based on a similar movie contract reference that has been completed and is disclosable. Such term requires that the copyright income will be 34 million RMB should the gross box office receipts of the Target Movie be less than 700 million RMB.

Note 6: The distribution fees to be received by distributors is approximately 12% of the gross box office receipt net of deduction for contribution to the Fund, value added tax and surcharges, and sharing by cinemas and cinema circuits, which is based standard practice in the market.

Note 7: The promotional expenses are based on approximately 2.43% of the gross box office receipts of the Target Movie in the PRC that is consistent with the market median of the comparable movies' research that is disclosable with such calculation illustrated below:

Valuation Ratio of Publicity, promotion, release work and fees of movies of the Comparable Movies

Year of Release in PRC	Movie	Domestic Box Office (RMB) ¹⁴	Publicity, promotion, release work and fees of movies (RMB, Budget)	% of Promotional Cost to Domestic Box Office
2016	百鳥朝鳳	86,752,000	3,000,000	3.46%
2016	我不是潘金蓮	482,794,000	36,150,353	7.49%
2017	芳華	1,422,991,000	20,000,000	1.41%
2019	少年的你	1,558,262,000	20,000,000	1.28%
			Median:	2.43%

12 “電影放映服務收入今年免徵增值稅”，中國服務貿易指南網，15 May 2020, <http://tradeinservices.mofcom.gov.cn/article/yanjiu/hangyeyzk/202005/104592.html>.

13 “減稅降費政策即問即答(2021年第一期)”，國家稅務局，13 April 2021, <http://www.chinatax.gov.cn/chinatax/n810356/n3010387/c5163375/content.html>.

14 貓眼專業版, <https://piaofang.maoyan.com/>. 貓眼專業版 is one of the most popular website that provides mainly the domestic box office figures and other related information about movies, television shows, and web-based videos.

6. Valuation Conclusion

In our opinion, on the basis of the assumptions and information make available to us, the market value of the movie named 英格力士 as at 10 September 2021 is reasonably estimated at:

RMB 240,000,000
(RENMINBI TWO HUNDRED AND FORTY MILLION)

Signed for and on behalf of Vincorn Consulting and Appraisal Limited

Freddie Chan

BBA-FIN (Hons) CFA ACCA FRM MRICS
RICS Registered Valuer
Executive Director

Vincent Cheung

BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA
MHKSJ MISCJ MHIREA RICS Registered Valuer
Registered Real Estate Appraiser & Agent PRC
Managing Director

Appendix 1**Limiting Conditions****1. Preliminary**

- 1.1 These general terms and conditions (the “Terms and Conditions”) shall apply to all forms of professional services, provided by Vincorn Consulting and Appraisal Limited, (“we”, “us” or the “Firm”) to the client to whom the service agreement is sent (the “client” or “you”). They shall apply separately to each service provided to you.
- 1.2 The Terms and Conditions are to be read in conjunction with the service agreement (the “Agreement”) sent by us to you. In the event of any ambiguity or conflict between the Agreement and these Terms and Conditions, the provisions in the Agreement shall prevail. These Terms and Conditions and the Agreement may only be varied in writing by agreement between the parties.

2. Performance of the Services

- 2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the “Services”). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.
- 2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.
- 2.3 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

3. Basis of Fees

- 3.1 The basis of our fees for our Services is set out in the Agreement.
- 3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.
- 3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly fee accounts. Payment is due within 30 days of the invoice date.
- 3.4 Where valuations are undertaken for a lender for financing purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

- 3.5 If you do not dispute with us an invoice or any part thereof within 30 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.
- 3.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.
- 3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for accounting purposes being used for financing purposes), we reserve the right to charge an additional fee.
- 3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.
- 3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.
- 3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

4. Interest

- 4.1 You shall pay interest on the amount of any invoice for fees or other disbursements that remain unpaid for 30 days after the date of the invoice. Interest shall be payable at the prime lending rate published by the Hong Kong and Shanghai Banking Corporation from the date of the invoice until payment is made whether after or before judgement.

5. Disbursements

- 5.1 You shall reimburse disbursements incurred in the provision of the Services quarterly in arrears from the date they were incurred. These include, for example, maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining records of companies or assets, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information/references obtained, travel and subsistence expenses at their actual cost and car mileage at the reasonable scales.

6. Information Received from the Client

- 6.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or a third party on your behalf, whether prepared directly by you or by that third party, and whether or not supplied directly to us by that third party, and you shall indemnify us should any such liability arise. Also, in any circumstances, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. Conflicts of Interest

- 7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

8. Management of the Asset

- 8.1 We shall not be responsible for the management of the asset nor have any other responsibility (such as maintenance or repair) in relation to the asset. We shall not be liable for any damage that may occur to the asset which we are providing services for. The asset shall be your sole responsibility.

9. Valuation Basis and AssumptionsValuation Date

- 9.1 Unless we have said otherwise within the Agreement or our report, the valuation date will be the date of our report.

Basis of Valuation

- 9.2 Unless we have said otherwise within the Agreement or our report, the valuation will be prepared in accordance with the prevailing International Valuation Standards ("IVS") published by the International Valuation Standards Council.

- 9.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the IVS. The basis of valuation that we will adopt for each property is specified in the Agreement and our report.
- 9.4 When assessing Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs, they will be stated separately.

Specialised Asset

- 9.5 In the case of Specialised Asset (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Cost Approach as a method of estimating Market Value. The valuation using this method of an asset in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the asset is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from Cost Approach to reflect the profitability/viability of the entity in occupation is a matter for the occupier.

Specialised Trading Asset

- 9.6 Where appropriate, specialised trading assets will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.
- 9.7 Where we are instructed to value an operational asset with regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved by a reasonably efficient operator.
- 9.8 Unless we have said otherwise within the Agreement or our report:-
- (i) the valuation will be made on the basis that each asset will be sold as a whole including all fixtures, fittings, stock and goodwill;
 - (ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;
 - (iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;
 - (iv) we will exclude any consumable items and stock in trade; and

- (v) we will assume that all goodwill for an asset is tied to the asset itself and does not represent personal goodwill to the operator.

Real Property

9.9 Unless otherwise advised by you in writing, we will provide the Services in relation to any real properties on the assumption that:-

- (i) the property and any existing buildings are free from any defect whatsoever;
- (ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;
- (iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
- (iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;
- (v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
- (vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
- (vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);
- (viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;
- (ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;

- (x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;
- (xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;
- (xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;
- (xiii) vacant possession can be assumed for a premises which is currently occupied by the landlord or a tenant; and
- (xiv) any mineral rights are excluded from the property.

9.10 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

9.11 If we give the age of a building in our report, this will be an estimate and for guidance only.

9.12 Where we are required to measure a property we will generally do so in accordance with the Code of Measuring Practice published by the Royal Institution of Chartered Surveyors. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a reasonable range of tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be significant.

9.13 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or registered. They will not be physically checked on site.

9.14 The areas we report will be appropriate for the valuation purposes, but should not be relied upon for any other purposes.

9.15 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services for a property on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

- 9.16 We may consider the possibility of alternative uses of a property being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.
- 9.17 We will not inspect title deeds of a property and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.
- 9.18 You should confirm to us in writing if you require us to read leases of a property and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.
- 9.19 We will take into account any information of a property that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).
- 9.20 Our valuation for a property will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.
- 9.21 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.
- 9.22 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the valuation date, and will have regard to any contractual liabilities.
- 9.23 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

Comparable

- 9.24 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation.

Portfolio

9.25 Unless we have said otherwise in the Agreement or our report, each asset will be valued individually; in the case of a portfolio, we will assume that the assets would be marketed in an orderly way and not placed on the market at the same time.

Currency

9.26 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate (“spot rate”) on the valuation date.

9.27 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

Reinstatement Cost

9.28 In instances where we are instructed to provide an indication of current reinstatement cost for fire insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of costs.

10. Regulated Purpose Valuation

10.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (known as a “Regulated Purpose Valuation”), we will state our policy on the rotation of the valuer who prepares the valuation and the quality control procedures that are in place.

10.2 Irrespective of the purpose of the valuation, we will select the most appropriate valuer for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the valuer responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

11. Termination by Notice

11.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days’ notice in writing to the other party.

11.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the “Termination Fees”) plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

12. Professional Liability

- 12.1 Subject to the provisions in these Terms and Conditions and the Agreement, our total aggregate liability (including that of our directors and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding three times the fee paid for each instruction accepted. Neither party hereto shall be liable to the other for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct, indirect or consequential, or any claims for consequential compensation whatsoever (however caused) which arise out of or in connection with the Services.
- 12.2 For the avoidance of doubt, our directors and employees shall have no liability in respect of their private assets.
- 12.3 Nothing in these Terms and Conditions excludes or limits our liability for (i) death or personal injury caused by our negligence (ii) any matter which it would be illegal for us to exclude or attempt to exclude our liability or (iii) fraud or fraudulent misrepresentation.
- 12.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.
- 12.5 Save in respect of third parties directly instructed by us and/or on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.
- 12.6 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.
- 12.7 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through a third party insurance company.
- 12.8 Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue to us and we may revise the pricing structure to reflect the varied level of our liability or professional indemnity cover.
- 12.9 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to an additional fee to be proposed by us.

12.10 Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of instruction between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.

12.11 Where you provide a copy of and/or permit another party or parties, other than your affiliates, to rely upon our report without obtaining our express written consent (in accordance with clause 12.5 above), you agree to indemnify us (subject to Section 12.1 hereof) for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

13. Quality of Service

13.1 All our reports are signed by a qualified professional of the Firm whose responsibility it is to ensure that all relevant quality control procedures have been complied with.

13.2 While we seek to provide high quality Services, if a client has cause for complaint we have the Standard Complaint Handling Procedure to cope with that.

14. Data Protection

14.1 We are a data controller of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

14.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

14.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

15. Money Laundering Regulations

15.1 You are aware that legislation and related guidance as updated from time to time, has imposed on us obligations for mandatory reporting, record keeping and identification procedures. We may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

16. Freedom of Information

16.1 Where you are a public authority, you shall notify us within five business days of receiving a request to disclose information which relates to the business arrangements between us and you and/or any information we have provided to you at any time. In recognition of the fact that we may be providing you with genuinely confidential or commercially sensitive information, you agree to consult us and seek our views on all such requests prior to making a decision on whether any information should be publicly disclosed.

17. Electronic Communications

17.1 We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

18. Confidentiality and Intellectual Property

18.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

18.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

18.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

18.4 We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

18.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

18.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

19. Third Parties Rights and Assignment

19.1 No term of the Agreement or these Terms and Conditions is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

19.2 Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

20. General

20.1 If any provision of the Terms and Conditions is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable, it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms and Conditions and the remainder of such provision shall continue in full force and effect.

20.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms and Conditions shall not be construed as a waiver of any of our rights under these Terms and Conditions.

20.3 The Agreement and these Terms and Conditions shall be governed by and be construed in accordance with the law of the place at where the Agreement is effective. Any dispute arising out or in connection with the Services shall be submitted to the exclusive jurisdiction of the relevant courts of that place.

The following is the text of a report received from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
CALCULATIONS OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE
VALUATION OF THE FILM PROJECT**

TO THE BOARD OF DIRECTORS OF YIK WO INTERNATIONAL HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation ("the Valuation Report") dated 10 September 2021 prepared by Vincorn Consulting and Appraisal Limited in respect of the appraisal of the fair value of the investment project of the film English 《英格力士》 (the "Film Project") as at 10 September 2021 is based. The Valuation Report is set out in the announcement of Yik Wo International Holdings Limited (the "Company") dated 10 September 2021 (the "Announcement") in connection with the acquisition of 100% equity interest in June Pictures & Media Limited (the "Target Company") by the Company. The Valuation Report is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Directors' Responsibilities for the Discounted Future Cash Flows

The directors of the Company (the "Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the section heading "Major Assumptions Adopted in the Valuation Report under Income Approach" in the Announcement, and the Valuation Report (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation Report and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 19.62(2) of the GEM Listing Rules, on the calculations of the discounted future cash flows used in the Valuation Report. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the Assumptions. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the Assumptions.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Film Project or the Target Company or an expression of an audit or review opinion on the Valuation Report.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 19.62(2) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Grant Thornton Hong Kong Limited*Certified Public Accountants*

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

10 September 2021

10 September 2021

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sir/Madam:

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION
OF THE TARGET COMPANY**

We refer to the announcement of Yik Wo International Holdings Limited dated 10 September 2021 concerning the captioned transaction (the “Announcement”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation report dated 10 September 2021 issued by the Vincorn Consulting and Appraisal Limited (the “Independent Valuer”) regarding the valuation of a film project (the “Valuation Report”), which constitutes a profit forecast (the “Profit Forecast”) under Rule 19.61 of the GEM Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the letter from Grant Thornton Hong Kong Limited regarding whether the Profit Forecast, so far as the calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Profit Forecast in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 19.62(3) of the GEM Listing Rules, the Board of the Company confirmed that the Valuation Report prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Yik Wo International Holdings Limited
Xu Youjiang
Chairman and Executive Director

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滙博資本有限公司

10 September 2021

The Board of Directors
Yik Wo International Holdings Limited
Room 6, 3/F, Lladro Centre
72 Hoi Yuen Road
Kwun Tong
Kowloon, Hong Kong

Dear Sirs,

**YIK WO INTERNATIONAL HOLDINGS LIMITED (THE “COMPANY”) AND ITS
SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “GROUP”)**

Comfort letter on profit forecast underlying the valuation of a film project

We refer to the discounted future cash flows on which the valuation report dated 10 September 2021 prepared by Vincorn Consulting and Appraisal Limited (the “**Independent Valuer**”) in respect of the valuation (the “**Valuation**”) of the film “English” 《英格力士》 (the “**Film Project**”) is based. Capitalised terms used in this letter shall have the same meaning as those defined in the circular of the Company dated 16 March 2022 (the “**Circular**”) unless otherwise specified.

The Valuation which is determined based on discounted future cash flows is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 19.61 of the GEM Listing Rules.

We have discussed with the Independent Valuer and the Directors the bases and assumptions (the “**Assumptions**”) upon which the Profit Forecast was prepared. We have also considered the letter dated 10 September 2021 issued by Grant Thornton Hong Kong Limited, the reporting accountants of the Company, the text of which is set out in section headed “Appendix II — Letter from the Reporting Accountants relating to the Profit Forecast” to the Circular, which stated that, so far as the calculations are concerned, the discounted future cash flows on which the Valuation is based have been properly compiled in all material respects in accordance with the Assumptions.

Based on the above, we are satisfied that the Profit Forecast, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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 herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares) will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>5,000,000,000</u>	<u>50,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>600,000,000</u>	<u>6,000,000</u>

(ii) Immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares):

<i>Authorised:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
600,000,000 Shares of HK\$0.01 each	6,000,000
74,482,760 Total Consideration Shares to be issued and allotted	744,827.60
<u>674,482,760</u>	<u>6,744,827.60</u>

3. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

Name	Capacity	Number and class of securities	Long/short position	Percentage of shareholding
Mr. Xu Youjiang ("Mr. Xu")	Interest in a controlled corporation ^(Note 1)	301,500,000 ordinary shares	Long	50.25%
Ms. Xu Liping ("Ms. Xu")	Interest of spouse ^(Note 2)	301,500,000 ordinary shares	Long	50.25%

Notes:

1. Mr. Xu holds the entire issued share capital of Prize Investment Limited. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Prize Investment Limited under the SFO.
2. Ms. Xu Liping is the spouse of Mr. Xu and is therefore deemed to be interested in the Shares in which Mr. Xu is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO);

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests of the Directors and chief executive of the Company disclosed in the paragraph headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES” above, the following persons had interests or short position in the shares and underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number and class of securities	Long/short position	Percentage of shareholding
Prize Investment Limited	Beneficial owner	301,500,000 ordinary shares	Long	50.25%
Merit Winner Limited (“ Merit Winner ”)	Beneficial owner	67,500,000 ordinary shares	Long	11.25%
Mr. Hui Man Kit (“ Mr. Hui ”)	Interest of a controlled corporation ^(Note 1)	67,500,000 ordinary shares	Long	11.25%
Ms. Hui Mei Nga	Interest of spouse ^(Note 2)	67,500,000 ordinary shares	Long	11.25%
Sun Kong Investments (BVI) Limited (“ Sun Kong ”)	Beneficial owner	54,000,000 ordinary shares	Long	9.00%
Mr. Wong Hing Nam (“ Mr. Wong ”)	Interest of a controlled corporation ^(Note 3)	54,000,000 ordinary shares	Long	9.00%
Ms. Chan Lai Yin	Interest of spouse ^(Note 4)	54,000,000 ordinary shares	Long	9.00%

Notes:

1. The entire issued share capital of Merit Winner was held by Mr. Hui. Accordingly, Mr. Hui is deemed to be interested in the Shares held by Merit Winner under the SFO.
2. Ms. Hui Mei Nga is the spouse of Mr. Hui and is therefore deemed to be interested in the Shares in which Mr. Hui is interested under the SFO.
3. The entire issued share capital of Sun Kong was held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the Shares held by Sun Kong under the SFO.
4. Ms. Chan Lai Yin is the spouse of Mr. Wong and is therefore deemed to be interested in the Shares in which Mr. Wong is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. MATERIAL CONTRACTS

There were no contracts (not being contracts entered into in the ordinary course of business) being entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

7. DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the listing date, i.e. 13 July 2020 (subject to termination in certain circumstances as stipulated in the relevant service contract), which may be terminated by not less than three month's notice served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of three years commencing from the listing date, i.e. 13 July 2020 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment), which may be terminated by either party giving 1 month notice to the other party.

8. DIRECTORS INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, the controlling shareholders or substantial shareholders of the Company or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

9. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, except as disclosed below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company have been made up.

11. EXPERTS AND CONSENTS

- (a) The following is the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)
Vincorn Consulting and Appraisal Limited	Independent professional valuer
Grant Thornton Hong Kong Limited	Certified Public Accountants

- (b) As at the Latest Practicable Date, the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- (c) The experts named above have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters of advice and references to their names in the form and context in which the respectively appear.
- (d) As at the Latest Practicable Date, the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

12. INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Grand Moore Capital Limited (“Grand Moore”), as at Latest Practicable Date, save for the compliance adviser agreement dated 12 June 2019 entered into between the Company and Grand Moore, neither Grand Moore, its directors, employees and close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

13. GENERAL

- (a) The registered office of the Company is located at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The head office and principal place of business in the PRC is located at Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, the PRC.
- (c) The head office and principal place of business of the Company in Hong Kong is located at Room 6, 3/F., Lladro Centre, 72 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hill, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (f) The company secretary of the Company is Ms. Kwong Oi Man Patty. Ms. Kwong is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (g) The compliance officer of the Company is Mr. Xu Youjiang.
- (h) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

14. THE AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 19 June 2020 in compliance with Rule 5.28 of the GEM Listing Rules. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee comprises of three members, namely Mr. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang, all being Independent Non-Executive Directors. Mr. Chung Chi Kit currently serves as the chairman of the Audit Committee.

Mr. Chung Chi Kit (鍾智傑), aged 33, was appointed as an independent non-executive Director on 10 August 2021.

Mr. Chung obtained a bachelor's degree in Accountancy from the Hong Kong Polytechnic University in June 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2014. Mr. Chung has over 10 years' experience in auditing, accounting and financial reporting. He started his career in Deloitte Touche Tohmatsu from October 2010 to November 2016, with his last position held as audit manager. From July 2017 to September 2018, he worked in the position of senior accounting and finance manager in Lerthai Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 112). Mr. Chung is currently a financial controller of LVGEM (China) Real Estate Investment Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 95) and he joined this company since September 2018.

Mr. Liu Dajin (劉大進), aged 55, was appointed as an independent non-executive Director on 19 June 2020.

Mr. Liu has over 30 years of experience in the accounting and audit field. After obtaining his bachelor's degree in accounting in June 1989, he worked as a teaching assistant at the College of Finance, Jimei University (then known as Jimei Finance and Economics Institute* (集美財經學校)). From July 1989 to August 1995, he was the deputy head and lecturer at the College of Finance, Jimei University (then known as Jimei Finance College* (集美財政專科學校)). From September 1995 to May 2001, he was the deputy head and lecturer of the Faculty of Accounting, College of Finance, Jimei University, during which he was also a registered accountant at the Xiamen Jiyou Accounting firm* (廈門集友會計師事務所) from June 1995 to May 1999. From June 2001 to October 2002, he was an assistant professor and head of training at the Faculty of Business Management, Jimei University. From October 2002 to February 2015, he was an assistant professor and associate dean of the Overseas Education College, Jimei University. From March 2015 to August 2015, he was an associate professor at the Faculty of Accounting, Jimei University. From September 2015 to August 2018, he was an associate professor at Chengyi College, Jimei University, then was promoted as a professor in September 2019. Since September 2015, he has been the head of the Faculty of Business Management, Chengyi College, Jimei University. Since August 2008 and August 2013, Mr. Liu has been a consultant and a director of the Association of Management Consulting Xiamen and the Xiamen Association of Accounting, respectively. Mr. Liu graduated from Central University of Finance and Economics* (中央財經大學) (formerly known as Central Finance College* (中央財政金融學院)) with a bachelor's degree in accounting in June 1989. He also attended a postgraduate programme in accounting in the Graduate School of Xiamen University in August 1992. Since 1996, Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants. Mr. Liu has been an independent non-executive director of Mobile Internet (China) Holdings Limited (HKEx: 1439) and China Shanghai Food Holdings Company Limited (HKEx: 1676) since July 2013 and December 2013, respectively. He has been an independent non-executive director of Xiamen Xinde Co., Ltd. (SZEx: 000701) since May 2020.

Deng Zhihuang (鄧志煌), aged 51, was appointed as an independent non-executive Director on 19 June 2020.

Mr. Deng has over 25 years of experience in practising law in the PRC. From April 1995 to March 2005, Mr. Deng worked as a cadre of Fuzhou People's Procuratorate, Fujian* (福建省福州市人民檢察院), where he was responsible for civil administrative work. He then worked as an associate at Fujian Hua Wei Law Firm* (福建華巍律師事務所) from April 2005 to October 2005. In October 2005, he founded Fujian Zhixinheng Law Firm and serves as its senior partner since then. Mr. Deng obtained his bachelor's degree in laws at the Fujian Normal University, the PRC, in June 1992. From April 1995 to March 2005, Mr. Deng worked as a cadre of Fuzhou People's Procuratorate, Fujian (福建省福州市人民檢察院) where he was responsible for civil administrative work. He then worked as an associate at Fujian Hua Wei Law Firm* (福建華巍律師事務所) from April 2005 to October 2005. From October 2005 to August 2019, he founded Fujian Zhixinheng Law Firm and serves as its senior partner since then. He has been the equity senior partner of Beijing Yingke Law Firm Fuzhou Office since August 2019.

15. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://en.yikwo.cn>) for the period of 14 days commencing from the date of this circular:

- (a) The Equity Sale and Purchase Agreements and the Supplemental Agreements;
- (b) the written consent of each of the experts referred to in the section headed "Experts and Consents" in this appendix;
- (c) the letter from the Board as set out in this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 21 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 44 of this circular;
- (f) the valuation report in relation to the Film Project, the text of which is set out in Appendix I to this circular;
- (g) the letter from the reporting accountants relating to the profit forecast, the text of which is set out in Appendix II to this circular;
- (h) the letter from the Board in relation to the profit forecast, the text of which is set out in Appendix III to this circular; and
- (i) the letter from the Independent Financial Adviser relating to the profit forecast, the text of which is set out in Appendix IV to this circular.

NOTICE OF EGM

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Yik Wo International Holdings Limited **易和國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8659)

NOTICE OF 2022 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2022 first extraordinary general meeting (the “**EGM**”) of the shareholders of Yik Wo International Holdings Limited will be held at Conference Room 126, No.301, Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province on Friday, 1 April 2022 at 1:00 p.m. following purposes:

ORDINARY RESOLUTION

“THAT:

- (a) the Supplemental Agreements dated 20 January 2022 (the “**Agreements**”) entered into between the Company as purchaser and Mr. Xu Youjiang (“**Mr. Xu**”), Yeewo Pictures & Media Limited (“**Yeewo Pictures**”) and Mr. Gong Zongfan (“**Mr. Gong**”) as the vendors (the “**Vendors**”), in relation to the acquisition of the entire issued share capital in June Pictures & Media Limited at the consideration of RMB20,571,430, which shall be partly satisfied by (i) issue and allotment of 74,482,760 consideration shares (the “**Consideration Shares**”) to Mr. Xu at an issue price of HK\$0.232 per Consideration Share; (ii) issue of a debt instrument in the sum of RMB3,085,714 to Yeewo Pictures; and (iii) issue of a debt instrument in the sum of RMB3,085,714 to Mr. Gong (a copy of the Agreements has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares), be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Consideration Shares by the Company to Mr. Xu (or at his direction) to settle part of the consideration payable by the Company in accordance with the terms and conditions of the Agreements and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue of the Consideration Shares in accordance with the terms and conditions of the Agreements; and

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- (d) any Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreements and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully,
For and on behalf of the Board
Yik Wo International Holdings Limited
Xu Youjiang
Chairman and Executive Director

Hong Kong, 16 March 2022

Registered office:

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KYI-1104
Cayman Islands

Principal place of business in the PRC:

Wukeng Industrial Zone
Longhu Town
Jinjiang City
Fujian Province
China

Principal place of business in Hong Kong:

Room 6, 3/F, Lladro Centre
72 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

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Notes:

1. Any member of the Company (the “**Member**” or “**Shareholder**”) entitled to attend and vote at the EGM or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf subject to the provision of the Articles of Association. A proxy need not be a Member but must be present in person at the EGM to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which such proxy is so appointed.
2. In order to be valid, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for holding the EGM or its adjourned meeting (as the case may be) (excluding any public holiday in Hong Kong). Completion and return of a form of proxy will not preclude a Member from attending and voting in person at the EGM or its adjourned meeting should he/she so wish. In such event, the form of proxy shall be deemed to be revoked.
3. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of Members will be closed from 29 March 2022 to 1 April 2022 (both days inclusive), during which period no transfer of Shares will be registered. To qualify for attending the EGM, the non-registered Shareholders must lodge all transfer documents, accompanied by the relevant share certificates with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 28 March 2022.
4. In compliance with Rule 17.47(4) of the GEM Listing Rules, voting on all proposed resolutions set out in this Notice will be decided by way of a poll except where the chairman of the EGM (the “**Chairman**”), in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.
5.
 - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will be postponed and Members will be informed of the date, time and venue of the postponed EGM by a supplemental notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.
 - (b) If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled three hours before the time appointed for holding the EGM and where conditions permit, the EGM will be held as scheduled.
 - (c) The EGM will be held as scheduled when a tropical cyclone warning signal No. 3 or below or an amber or red rainstorm warning signal is in force.
 - (d) After considering their own situations, Members should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Youjiang, Ms. Xu Liping and Mr. Zhang Yuansheng; and three independent non-executive Directors, namely Mr. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang.

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PRECAUTIONARY MEASURES FOR THE EGM

The holding of the EGM in order to comply with the GEM Listing Rules and the Articles of Association could potentially create a significant risk in terms of the spread of the COVID-19 pandemic because of large crowds coming together.

The venue of EGM is located in Hong Kong. Shareholders attending the EGM shall pay early attention to and comply with the relevant regulations and requirements regarding health report, quarantine and observation during the COVID-19 epidemic prevention and control period in Hong Kong. The Company will strictly comply with the requirements regarding the COVID-19 epidemic prevention and control stipulated by government departments, and take relevant prevention and control measures including monitoring the temperatures of Shareholders attending the EGM under the guidance and supervision of relevant government departments.

To reduce the risk of spreading the COVID-19 pandemic and for the health and safety of the attendees of the EGM, the Company wishes to remind the Shareholders and their proxies as follows:

No attendance

Those individual Shareholders who have any symptoms of an upper respiratory system disease or are under any quarantine requirements are advised not to attend the EGM in person.

Not later than 48 hours before the time of the EGM

- (i) For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the Chairman as their proxy instead of attending the EGM in person. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish. Shareholders may appoint the Chairman to attend and vote on their behalf by completing and depositing the forms of proxy enclosed with the Circular with the Company's branch share registrar in Hong Kong, whose address is stated below: Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
- (ii) Shareholders may send their questions in connection with the proposed resolutions stated in the notice by post to Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. If considered appropriate by the Directors at their absolute discretion, the questions will be answered firstly by the Chairman or other Directors present thereat on the floor and then answered in writing to the Shareholders concerned.

At the venue of the Meeting

- (i) The Company will take the body temperature of the intended attendees and refuse entry of those with a temperature of 37.1 degree Celsius or above.
- (ii) Attendees are requested to observe good personal hygiene at all times at the EGM venue and alcohol rubs or hand sanitiser will be provided for use.
- (iii) Attendees must wear face-masks throughout the EGM and sit at a distance from other attendees and those not wearing face-masks may be denied entry to the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iv) No drinks, refreshments or souvenirs will be provided.
- (v) Attendees who do not comply with the precautionary measures (i) to (iii) above or been found to have the symptom(s) of an upper respiratory system disease or be obeying a quarantine order may be denied entry to the EGM venue at the absolute discretion of the Company as permitted by law.