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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 a stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Affluent Partners Holdings Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

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## AFFLUENT PARTNERS HOLDINGS LIMITED

錢唐控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1466)

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(II) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE;  
(III) CHANGE IN BOARD LOT SIZE;  
(IV) PROPOSED RE-ELECTION OF DIRECTOR; AND  
(V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter to the Rights Issue



Financial adviser to the Company



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



INCU Corporate Finance Limited

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

A notice convening the extraordinary general meeting of the Company to be held with a combination of a physical meeting at Room 906, 9/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong, and a virtual meeting online on Friday, 1 April 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use by the shareholders at the extraordinary general meeting is enclosed.

Whether or not you are able to attend the extraordinary general meeting via the e-Meeting System, you are advised to read this circular and to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible but in any event before 11:00 a.m. on Wednesday, 30 March 2022, which is no less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment (as the case may be) thereof. Completion and return of the proxy form will not preclude you from attending the meeting via the e-Meeting System or any adjournment (as the case may be) thereof should you so wish.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the paragraph headed “Conditions of the Rights Issue” in the Letter from the Board. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 6 April 2022 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 21 April 2022 to Thursday, 28 April 2022 (both days inclusive). Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Wednesday, 5 May 2022), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed “Termination of the Underwriting Agreement” in the Letter from the Board. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

**The Rights Issue is fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the paragraph headed “THE UNDERWRITING AGREEMENT” in the Letter from the Board.**

This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.affluent-partners.com/>).

\* For identification purpose only

17 March 2022

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the proposed Rights Issue and Change in Board Lot Size which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

### Expected Timetable

2022

Latest time for lodging transfers of the Shares  
in order to qualify for attendance and  
voting at the EGM ..... 4:30 p.m. on  
Friday, 25 March

Closure of register of members of the Company  
for determination of the identity of  
the Shareholders entitled to attend and  
vote at the EGM (both dates inclusive) ..... Monday, 28 March to  
Friday, 1 April

Latest time for lodging proxy forms for the EGM ..... 11:00 a.m. on  
Wednesday, 30 March

Expected time and date of the EGM ..... 11:00 a.m. on  
Friday, 1 April

Announcement of poll results of the EGM ..... Friday, 1 April

***The following events are conditional upon passing the relevant resolutions approving the Rights Issue at the EGM***

Last day of dealings in Shares on a cum-rights basis ..... Monday, 4 April

First day of dealings in Shares on an ex-rights basis ..... Wednesday, 6 April

Latest time for lodging transfer of Shares  
in order to qualify for the Rights Issue ..... 4:30 p.m. on  
Thursday, 7 April

Register of members of the Company  
closes for determination of the Shareholders'  
entitlements to the Rights Issue (both days inclusive) ..... Friday, 8 April to  
Thursday, 14 April

Record Date for determining entitlements  
to the Rights Issue ..... Thursday, 14 April

Register of members of the Company re-opens ..... Tuesday, 19 April

Despatch of Prospectus Documents (in the case of  
Excluded Shareholders, the Prospectus only) ..... Tuesday, 19 April

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## EXPECTED TIMETABLE

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First day of dealing in nil-paid Rights Shares ..... Thursday, 21 April

Latest time for splitting of the PAL ..... 4:30 p.m. on  
Monday, 25 April

Last day of dealing in nil-paid Rights Shares ..... Thursday, 28 April

**Latest time for acceptance of and payment for  
the Rights Shares and application and  
payment for excess Rights Shares ..... 4:00 p.m. on  
Wednesday, 4 May**

Latest Time for Termination of the Underwriting  
Agreement and for the Rights Issue to  
become unconditional (if applicable) ..... 4:00 p.m. on  
Thursday, 5 May

Announcement of allotment results ..... Thursday, 12 May

Despatch of certificates for fully-paid Rights Shares  
and refund cheques, if any, in respect of wholly or  
partially unsuccessful application for excess Rights Shares ..... Friday, 13 May

Effective date of the new board lots size of 32,000 Shares ..... Monday, 16 May

Expected first day of dealings in fully-paid Rights Shares ..... Monday, 16 May

Designated broker starts to stand in the market  
to provide matching services for odd lots of Shares ..... 9:00 a.m. on  
Monday, 16 May

Designated broker ceases to stand in the market  
to provide matching services for odd lots of Shares ..... 4:00 p.m. on  
Wednesday, 8 June

Dates or deadlines specified in expected timetable above or in other parts of this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

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## EXPECTED TIMETABLE

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

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 4 May 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 4 May 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Wednesday, 4 May 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## SPECIAL ARRANGEMENTS FOR THE EGM

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All registered Shareholders will be able to join the EGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, our registered Shareholders will be able to view the live video broadcast and participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System which will be despatched later.

### HOW TO ATTEND AND VOTE

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the EGM or other persons as your proxy by providing their email address for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote via the e-Meeting System at the EGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the “**Intermediary**”) and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote via e-Meeting System at the EGM and in doing so, you will be asked to provide your email address. Details regarding the e-Meeting System including the login details will be emailed to you by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited.

Completion and return of the form of proxy will not preclude a member from attending and voting via the e-Meeting System at the EGM or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

For the purpose of determining shareholders' eligibility to attend and vote via the e-Meeting System at the EGM, the register of members of the Company will be closed from Monday, 28 March 2022 to Friday, 1 April 2022, both days inclusive, during which period no transfer of Shares will be effected.

If you have any questions relating to the EGM, please contact Tricor Investor Services Limited with the following details:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong  
Email: [emeeting@hk.tricorglobal.com](mailto:emeeting@hk.tricorglobal.com)  
Telephone: (852) 2975 0928  
Fax: (852) 2861 1465

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## **SPECIAL ARRANGEMENTS FOR THE EGM**

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**Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the EGM arrangements at a short notice. Shareholders are advised to check the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.affluent-partners.com/>) for the latest announcement and information relating to the EGM.**

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 January 2022 in relation to, among others, the Rights Issue and Change in Board Lot Size
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and public holidays in Hong Kong and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is issued or remains issued between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon or on which a “black” rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Shares to 32,000 Shares
“Company”	Affluent Partners Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1466)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder

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## DEFINITIONS

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“e-Meeting System”	the electronic meeting system facilitating the conduct of the EGM
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$10,000,000 divided into 500,000,000 Shares to HK\$200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,500,000,000 Shares
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Shareholders”	Shareholders other than the controlling shareholders and their associates or, where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates

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## DEFINITIONS

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“Last Trading Day”	28 January 2022, being the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Practicable Date”	14 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 4 May 2022 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Optionholder(s)”	the holders of the Share Options, who have provided the Optionholders Undertakings, namely, Mr. Leung Alex, Mr. Cheung Sze Ming and Ms. Siu Wing Shan
“Optionholders Undertaking(s)”	the irrevocable undertakings given by the Optionholders as mentioned in the paragraph headed “THE UNDERWRITING AGREEMENT — The Optionholders’ Undertakings” in this circular
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Tuesday, 19 April 2022, or such other day as may be agreed between the Company and the Underwriter for the dispatch of the Prospectus Documents

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## DEFINITIONS

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“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Thursday, 14 April 2022 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	Shares to be allotted and issued under the proposed Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share in issue on the Record Date, being 319,648,964 Rights Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Share Option(s)”	the total of 2,096,800 outstanding share options to subscribe for 2,096,800 Shares granted under the share option scheme adopted by the Company on 17 October 2014 as at the Latest Practicable Date
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.11 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Underwriter”	Kingston Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO whose ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 28 January 2022 (as supplemented by the supplemental underwriting agreement dated 14 March 2022) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 319,648,964 Rights Shares
“%”	percentage



**AFFLUENT PARTNERS HOLDINGS LIMITED**

**錢唐控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1466)**

*Executive Directors:*

Mr. Cheng Chi Kin (*Chairman*)

Mr. Leung Alex

Mr. Cheung Sze Ming

*Independent non-executive Directors:*

Mr. Chiu Sin Nang, Kenny

Mr. Dong Bo, Frederic

Mr. Wong Siu Keung, Joe

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place of  
Business:*

Room 906, 9/F

Wings Building

110–116 Queen's Road Central

Central, Hong Kong

17 March 2022

*To the Shareholders,*

Dear Sir or Madam,

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(II) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE;  
(III) CHANGE IN BOARD LOT SIZE; AND  
(IV) PROPOSED RE-ELECTION OF DIRECTOR**

**INTRODUCTION**

Reference is made to (i) the announcement of the Company dated 17 February 2022 in relation to, among other things, the proposed Increase in Authorised Share Capital; and (ii) the Announcement whereby the Board announced that the Company proposed to conduct the Rights Issue and the Change in Board Lot Size.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further details of the Increase in Authorised Share Capital, the Rights Issue, the Change in Board Lot Size, the proposed re-election of Director and the notice of EGM.

### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the growth of the Group and to provide the Company with greater flexibility to raise funds by the Rights Issue and other possible fund-raising activities in the future, the Board proposes to increase the authorised share capital of the Company from HK\$10,000,000 divided into 500,000,000 Shares to HK\$200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,500,000,000 Shares. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

With regard to the proposed Increase in Authorised Share Capital, save for the Rights Issue, the Board has no present intention to issue any part of the increased authorised share capital of the Company. The Board considers that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

### PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.11 per Rights Share, to raise gross proceeds of approximately HK\$35.2 million by issuing 319,648,964 Rights Shares to the Qualifying Shareholders.

On 28 January 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. On 14 March 2022, the Company and the Underwriter entered into the supplemental underwriting agreement and the parties thereto mutually agreed to revise the timetable of the proposed Rights Issue and except for the extension of the timetable, all other terms of the Underwriting Agreement remain the same. Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.11 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	319,648,964 Shares
Number of Rights Shares	:	319,648,964 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)

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## LETTER FROM THE BOARD

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Aggregate nominal value of the Rights Shares	:	HK\$6,392,979.28 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	639,297,928 Shares (assuming no change in the issued share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 319,648,964 Rights Shares

As at the Latest Practicable Date, there are (i) 1,996,800 outstanding Share Options, which are exercisable at the exercise price of HK\$13.40 each; and (ii) 100,000 outstanding Share Options, which are exercisable at the exercise price of HK\$12.00 each. Save for the aforesaid, as at the Latest Practicable Date, the Group had no other outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

On 28 January 2022, each of the Optionholders has given his/her Optionholders Undertaking to the Company to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date (see the paragraph headed “THE UNDERWRITING AGREEMENT — The Optionholders’ Undertakings” below for further details of the Optionholders Undertakings).

Assuming no Shares are issued or repurchased on or before the Record Date, 319,648,964 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

### Subscription Price

The Subscription Price is HK\$0.11 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 10.57% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.35% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (iii) a discount of 6.30% to the average of the closing prices of approximately HK\$0.1174 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 2.22% to the theoretical ex-rights price of HK\$0.1125 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.15%, represented by the theoretical diluted price of approximately HK\$0.1137 per Share to the benchmarked price of HK\$0.1174 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement); and
- (vi) a discount of approximately 4.35% to the net asset value per Share attributable to the Shareholders of approximately HK\$0.115 per Share calculated based on the audited consolidated net assets of the Group of approximately HK\$36.8 million as at 30 September 2021 and 319,648,964 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market prices of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the latest financial position of the Group; and (iii) the reasons for and benefits of Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS" in this circular.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; and (ii) the Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and an opportunity to subscriber for excess Rights Shares subject to the level of acceptance.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

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## LETTER FROM THE BOARD

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Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 7 April 2022.

The last day of dealing in the Shares on cum-rights basis is Monday, 4 April 2022. The Shares will be dealt with on an ex-rights basis from Wednesday, 6 April 2022.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.**

### **Rights of Overseas Shareholders**

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

Based on the register of members of the Company as at the Latest Practicable Date, there were a total of 28 Overseas Shareholders located in the Belgium, Canada, Macau and the United States with the following shareholding structure:

<b>Jurisdiction</b>	<b>Number of Overseas Shareholder(s)</b>	<b>Aggregate number of Shares held by Overseas Shareholder(s) in the jurisdiction</b>	<b>Approximate percentage of shareholdings</b>
Belgium	1	722	0.0002%
Canada	2	5,664	0.0018%
Macao Special Administrative Region of the PRC (“ <b>Macau</b> ”)	1	484	0.0002%
The United States	24	66,088	0.0207%

In compliance with the necessary requirements under Rule 13.36(2) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders whose registered is in the United States. Based on the advice of the relevant legal advisers as to the laws of the United States, the Directors are of the view that it is necessary or expedient not to extend the Rights Issue to the Overseas Shareholders with registered address in the United States and such Overseas Shareholders shall be regarded as Excluded Shareholders as extension of the Rights Issue to such Overseas Shareholders would, or might, in the absence of compliance with the registration, exemption requirements or other

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## LETTER FROM THE BOARD

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formalities, be unlawful or impracticable and the cost to be incurred and time required for complying with the registration and/or other relevant requirements may outweigh the possible benefits to the Company and the Excluded Shareholders.

As for Belgium, Canada and Macau, the approximate percentage of shareholding are 0.0002%, 0.0018% and 0.0002%, respectively, which account for a comparably small proportion of all shareholding. Hence, the Company is of the view that it is not expedient to seek legal advice as the cost to be incurred and time required for complying with the registration and/or other relevant requirements may outweigh the possible benefits to the Company and the Excluded Shareholders.

The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company will be closed from Monday, 28 March 2022 to Friday, 1 April 2022 (both days inclusive) for determining the Shareholders' entitlements to the voting at the EGM.

The register of members of the Company will be closed from Friday, 8 April 2022 to Thursday, 14 April 2022 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

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

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

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## LETTER FROM THE BOARD

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

### **Fractional entitlements to the Rights Shares**

On the basis of provisional allotment of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders.

### **Status of the Rights Shares**

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

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 13 May 2022. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Friday, 13 May 2022 by ordinary post to the applicants at their own risk, to their respective registered addresses.

### **Application for excess Rights Shares**

Under the Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholder; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Wednesday, 4 May 2022.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application; and
- (ii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

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## LETTER FROM THE BOARD

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Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Thursday, 7 April 2022. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

### **Application for listing of the Rights Shares**

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

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 32,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

### THE UNDERWRITING AGREEMENT

#### The Underwriting Agreement

On 28 January 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite all Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

Date	:	28 January 2022 (after trading hours)
Underwriter	:	Kingston Securities Limited
Number of Rights Shares	:	319,648,964 Rights Shares
Underwriting commitment of the Underwriter	:	All the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 319,648,964 Rights Shares
Underwriting Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the existing financial position of the Group, the size of the Rights Issues, and the market condition. The Company has approached various financial institutions to explore interest in underwriting the Rights Shares on a fully underwritten basis. Save and except for the Underwriter which agreed to fully underwrite the Rights Shares at the Subscription Price at a commission of 2.5%, other licensed corporations did not show interests to underwrite the Rights Shares on a fully underwritten basis. Having considered (i) other licensed corporations did not show interests to underwrite the Rights Shares on a fully underwritten basis; and (ii) the experience and financial resources of the Underwriter for underwriting such securities, the Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the

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## LETTER FROM THE BOARD

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Shareholders as a whole. In particular, the Company, based on the information available on the website of the Stock Exchange, noticed that a total of 63 listed companies announced their proposed rights issues from 27 January 2021 to 28 January 2022, being on one-year period before entering into of the Underwriting Agreement with the Underwriter, (which, to the best knowledge of the Directors, were not subsequently terminated), among which 16 rights issues were fully underwritten by independent underwriters charged a underwriting commission in the range of 1% and 7.07% while the mean and median of the rate are 2.54% and 2.5% respectively, the rate of which was calculated on the basis of the total subscription price of the rights shares and the underwriting commission of 2.5% payable by the Company is considered to be consistent with the rate charged in the market.

### Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (b) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Prospectus Posting Date;
- (d) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (e) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (f) there being no specified event (as defined in the Underwriting Agreement) occurring on or before the Latest Time for Termination;
- (g) the passing of the necessary resolutions at the EGM to approve the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders; and
- (h) each of the Optionholders having given his/her undertaking to the Company to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date.

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## LETTER FROM THE BOARD

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Save for the conditions (e) and (f) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, condition (h) had been fulfilled.

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, exist, or come into effect:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;
- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
- (5) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
- (6) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the People's Republic of China or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or
- (7) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company, which event or events is or are in the absolute opinion of the Underwriter:

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## LETTER FROM THE BOARD

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- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
- (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

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

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

### **The Optionholders' Undertakings**

As at the Latest Practicable Date, the Company has 2,096,800 outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 2,096,800 new Shares. On 28 January 2022, each of the Optionholders has given his/her Optionholders Undertaking to the Company to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date.

### **CHANGE IN BOARD LOT SIZE**

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 8,000 Shares to 32,000 Shares with effect from 9:00 a.m. on Monday, 16 May 2022. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical ex-rights price of approximately HK\$0.1125 per Share (calculated based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day) and assuming that the Rights Issue having become effective and the dealings in the Shares on an ex-rights basis having commenced, if the Shares were continued to be trading in board lots of 8,000, the value of each board lot of Shares would be below HK\$2,000. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size. However, the Change in Board Lot Size is conditional upon the passing of relevant resolution(s) in relation to the Rights Issue at the EGM. Therefore, the Company will not proceed with the Change in Board Lot Size if the Rights Issue is not approved by the Independent Shareholders at the EGM.

The Group will continue to review its existing businesses from time to time and strive to improve the business operation and financial position of the Group. As at the Latest Practicable Date, the Company has no plan to conduct any other corporation action which may have an effect of undermining or negating the intended purpose of the Change in Board Lot Size.

Based on the theoretical ex-rights price of approximately HK\$0.1125 per Share (calculated based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is approximately HK\$900 and the estimated market value of each proposed new board lot is approximately HK\$3,600. To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company will appoint an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Monday, 16 May 2022 to 4:00 p.m. on Wednesday, 8 June 2022 (both dates inclusive). Further details of the odd lots matching arrangements will be disclosed in the Prospectus. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

All existing share certificates in board lot of 8,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 8,000 Shares to new share certificate in board lot size of 32,000 Shares is necessary.

### **REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS**

The Group is principally engaged in (i) the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products and (ii) the operation of strategic investment and financial services segment, with the objective to include investments in real estate agency business and real estate investment funds and other potential investment opportunities.

The financial performance of the Group for the year ended 31 March 2021 and the six months ended 30 September 2021 has been adversely affected by the prolonged COVID-19 pandemic and overall global economy uncertainty. As disclosed in the interim report of the Group for year ended 31 March 2021 ("**Interim Report 2021**"), since January 2020, many countries have imposed travel restrictions, public health measures and quarantine requirement of travellers in order to contain the outbreak of COVID-19, which resulted in the weakened

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## LETTER FROM THE BOARD

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consumer sentiment all over the world and reduced the total Group's sales contribution in pearl and jewellery products. As a result, the Group recorded a net loss of approximately HK\$281.8 million and HK\$51.8 million, respectively for the years ended 31 March 2020 and 2021. As at 30 September 2021, the other borrowings of the Group amounted to HK\$30 million, with repayable demand clause. Although the cash and cash equivalents of the Group amounted to approximately HK\$25.5 million as at 30 September 2021, approximately HK\$2.2 million are denominated in RMB and the conversion of RMB-denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. The Group had been implementing strict control costs and improve operation efficiency and productivity in a bid to stay competitive. However, as at the Latest Practicable Date, Omicron, a new COVID-19 variant, has been found in many countries including the United States and Hong Kong, where most of the Group's revenue were derived from. As a result, the performance of the Group in these markets may be adversely affected. All these indicate that the Group is currently under liquidity pressure.

Taking into account (i) the Group's loss-making position and current financial position; (ii) the worsening financial performance of the Group since the outbreak of COVID-19; and (iii) the risks and uncertainties associated with emerging COVID-19 variants in the Group's overseas markets, the Directors consider that there is an imminent need for the Company to conduct the Rights Issue to ease the liquidity pressure and improve the financial position of the Group.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$32.9 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.103. The Company intends to apply the net proceeds from the Rights Issue towards the repayment of the Group's loan and accrued interests and for general working capital.

The expected timeline of the use of proceeds from the Rights Issue is set out in the table below:

<b>Intended usage</b>	<b>Amount of proceeds (approximate)</b>	<b>Expected timeline</b>
Repayment of the Group's loan ( <i>Note</i> )	HK\$27.2 million	Upon completion of the Rights Issue
General working capital of the Group	HK\$5.7 million	Within 18 months upon completion of the Rights Issue

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*Note:* The loan consist (i) a loan from Kingston Finance Limited (“KFL”) with outstanding principal of HK\$25 million and accruals of interest of approximately HK\$1.0 million due in July 2022 (“**Loan A**”); (ii) a loan from KFL with outstanding principal of HK\$3.8 million and accruals of interest of approximately HK\$0.1 million due in January 2023 (“**Loan B**”) and (iii) a loan from KFL with outstanding principal of HK\$1.0 million and accruals of interest of approximately HK\$0.04 million due in May 2022 (“**Loan C**”). As disclosed in the interim report of the Company for the six months ended 30 September 2021, the respective balances of Loan A, Loan B and Loan C were approximately HK\$28 million, nil balances and nil balances, respectively. Loan A, Loan B and Loan C were originated on 22 January 2021, 26 January 2022 and 8 February 2022 and the loan size are HK\$28 million, HK\$3.8 million and HK\$1 million respectively. The purposes of Loan A, Loan B and Loan C were used as replacing for previous loans, general working capital and repayment of interest of Loan A, respectively.

### **Alternative means of fund raising**

The Company have considered other alternative means of fund raising, such as debt financing and/or bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options.

Given the latest financial performance of the Group, the lack of traditional assets to pledge to the banks, such as land and buildings, are obstacles for the Company to negotiate with banks for meaningful financing. The Board is of the view that, even if any of the commercial institutions willing to grant loans to the Company, the underlying interest could be unfavorable which would increase the finance costs to the Company and exert additional pressure to the operations of the Group.

Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund-raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.**

## LETTER FROM THE BOARD

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement, is as follow:

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(ii) Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue	
	<i>Approximate % of total no. of Shares in issue</i>		<i>Approximate % of total no. of Shares in issue</i>		<i>Approximate % of total no. of Shares in issue</i>	
	<i>No. of Shares</i>	<i>Shares in issue</i>	<i>No. of Shares</i>	<i>Shares in issue</i>	<i>No. of Shares</i>	<i>Shares in issue</i>
Pacific Wish Limited (Note 1)	84,088,691	26.31	168,177,382	26.31	84,088,691	13.15
Underwriter (Note 3)	—	—	—	—	191,648,964	29.98
VMS Securities Limited (Note 3)	—	—	—	—	68,000,000	10.64
Get Nice Securities Limited (Note 3)	—	—	—	—	60,000,000	9.38
Other Shareholders	235,560,273	73.69	471,120,546	73.69	235,560,273	36.85
<b>Total</b>	<b>319,648,964</b>	<b>100.00</b>	<b>639,297,928</b>	<b>100.00</b>	<b>639,297,928</b>	<b>100.00</b>

*Notes:*

- The Shares were beneficially owned by Pacific Wish Limited, which was in turned beneficially owned by Mr. Chan Vincent Wing Sing as to 50% and Ms. Hui Ka Man Emily as to 50%.
- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) sub-underwriter(s), if any, are Independent Third Party(ies); and (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

As at the Latest Practicable Date, the Underwriter has entered into sub-underwriting agreements (the “**Sub-underwriting Agreements**”) with VMS Securities Limited and Get Nice Securities Limited (the “**Sub-underwriter(s)**”), for sub-underwriting 68,000,000 Rights Shares and 60,000,000 Rights Shares at the Subscription Price, respectively. Pursuant to the terms and conditions of the Sub-underwriting Agreements and the written confirmation from each of the Sub-underwriters, each of the Sub-underwriters has confirmed that (i) it is third party independent of the Company and the Underwriter and their respective connected persons/associates; and (ii) it will ensure that in the ultimate subscribers/purchasers (if any) of the untaken Rights Shares to be procured by them (a) shall be third parties independent of the Company and the Underwriter and their respective connected persons/associates; and (b) shall not, together with any party acting in concert with it, hold 10% or more voting rights of the Company upon completion of the Rights Issue. For illustrative purpose only, in the event that no

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## LETTER FROM THE BOARD

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acceptance by all Qualifying Shareholders under the Rights Issue, where the Sub-underwriters are called upon to take up all the Sub-underwritten Shares immediately upon completion of the Rights Issue, the Rights Shares to be taken up by VMS Securities Limited and Get Nice Securities Limited represent approximately 10.64% and 9.38% of the issued share capital of the Company immediately upon completion of the Rights Issue, respectively (i.e. would account for less than 30% of the issued share capital of the Company immediately upon completion of the Rights Issue).

### EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activity set out below, the Company has not conducted any other equity fund raising activities in the twelve (12) months immediately preceding from the date of the Announcement.

Date of initial announcement	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
1 September 2021	placing of new Shares under general mandate	approximately HK\$5.2 million	the partial repayment of the Group's loan and accrued interests; and the general working capital of the Group	the proceeds were fully utilised as intended.

### LISTING RULES IMPLICATIONS

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

As at the Latest Practicable Date, to the best of Director's knowledge, no Directors and/or and the chief executive of the Company, and their respective associates held any Shares.

### GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Dong Bo, Frederic and Mr. Wong Siu Keung, Joe, has been established to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to provide recommendation to the

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## LETTER FROM THE BOARD

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Independent Shareholders in connection with the Rights Issue. An Independent Financial Adviser, namely ICNU Corporate Finance Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue.

The EGM will be convened and held to consider, and, if thought fit, to approve, among other matters, the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PAL and EAF to the Excluded Shareholders.

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS**

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 6 April 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 21 April 2022 to Thursday, 28 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

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

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

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## LETTER FROM THE BOARD

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### RE-ELECTION OF DIRECTOR

In accordance with article 83(3) of the articles of association of the Company, Mr. Wong Siu Keung Joe (“**Mr. Wong**”) shall hold office only until the EGM, and shall be eligible for re-election at the EGM. The details of Mr. Wong are set out as follows:

Mr. Wong, aged 57, holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master’s Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Mr. Wong was appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company on 14 January 2022, Mr. Wong is currently an independent non-executive director of China Water Industry Group Limited (stock code: 1129) whose shares are listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 8081) and Worldgate Global Logistics Ltd (stock code: 8292), both companies are listed on the GEM of the Stock Exchange.

Save as disclosed above, Mr. Wong has not held any directorship in any public listed companies in Hong Kong or overseas in the past three years. He does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. He did not hold any other position in the Company or any of its subsidiaries.

The Company has signed an appointment letter with Mr. Wong in respect of his directorship. There is no specific length of service for Mr. Wong pursuant to his appointment letter and he will hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Wong will also be subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. Mr. Wong is entitled to an annual remuneration of HK\$180,000, which was determined by the Board on recommendation of the Remuneration Committee with reference to his qualifications, experience, duties and responsibilities with the Company, as well as the Company’s performance and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Wong does not have any interests and short positions in the shares or underlying shares of the Company and its associated corporations which is required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, the Board is not aware of any other matters or information that need to be brought to the attention of the Shareholders of the Company or to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules in relation to Mr. Wong.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder had a material interest in relation to the re-election of Director as at the Latest Practicable Date. As such, no Shareholder is required to abstain from voting on the resolution in respect of the re-election of Director.

### EGM

The EGM Notice is set out on pages EGM-1 to EGM-3 of this circular. In view of the current COVID-19 situation in Hong Kong and the epidemic controlling measures implemented by the Hong Kong Government, only the chairman of the EGM shall be present at the principal meeting location at Room 906, 9/F, Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong (the “**Principal Meeting Location**”). Other Directors, Shareholders, or corporate representative may attend the EGM via the e-Meeting System. The participation of Shareholders at the EGM conducted via electronic means shall constitute presence at the EGM, and the EGM shall be deemed to take place at the Principal Meeting Location.

To the extent that the Directors are aware, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the proposed resolutions at the EGM.

You are advised to read this circular and to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible but in any event before 11:00 a.m. on Wednesday, 30 March 2022, which is no less than 48 hours before the time appointed for holding of the EGM or any adjournment (as the case may be) thereof. Completion and return of the proxy form will not preclude you from attending via the e-Meeting System the EGM or any adjournment (as the case may be) thereof should you so wish.

**THE COMPANY WILL NOT ACCEPT ANY PHYSICAL ATTENDANCE BY SHAREHOLDERS AT THE PRINCIPAL MEETING LOCATION.**

### Questions from Shareholders

Shareholders can submit questions for the Board in advance of the EGM via this email address: [ir@affluent-partners.com](mailto:ir@affluent-partners.com). Shareholders can also submit questions during the EGM via e-Meeting System. Questions relevant to the business of the EGM will be addressed by the Board during the EGM.

For the avoidance of doubt, the Board considers that the EGM is an important opportunity for Shareholders to express their views by raising questions and voting by way of proxy. Shareholders’ participation in the EGM continues to be important, and Shareholders are encouraged and welcomed to raise questions during the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the proposed Increase in Authorised Share Capital and the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Increase in Authorised Share Capital and the Rights Issue at the EGM.

The Directors also consider the proposed re-election of Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the re-election of the Director.

### ADDITIONAL INFORMATION

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

Yours faithfully  
For and on behalf of the Board  
**Cheng Chi Kin**  
*Chairman*



**AFFLUENT PARTNERS HOLDINGS LIMITED**

**錢唐控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1466)**

17 March 2022

*To the Shareholders,*

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE; AND  
(2) CHANGE IN BOARD LOT SIZE**

We have been appointed to form an independent board committee to consider and advise you on the terms of the Rights Issue and the voting recommendation on the relevant resolution, details of which are set out in the circular issued by the Company to the Shareholders dated 17 March 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on page pages 6 to 26 and pages 28 to 51 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the background of and reasons for the Rights Issue and having taken into consideration of the advice of the Independent Financial Adviser, in relation thereto as set out on pages 28 to 51 of the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of the Rights Issue (including the Subscription Price and the subscription ratio) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Affluent Partners Holdings Limited**

**Chiu Sin Nang, Kenny**

**Dong Bo, Frederic**

**Wong Siu Keung, Joe**

*Independent non-executive Directors*

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue.*



INCUB Corporate Finance Limited  
Unit D, 6/F,  
Bank of China Building,  
2A Des Voeux Road Central,  
Central, Hong Kong

17 March 2022

*To: The Independent Board Committee and  
the Independent Shareholders of  
Affluent Partners Holdings Limited*

Dear Sirs or Madams,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue. Details of the Rights Issue are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 17 March 2022, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this circular unless the context requires otherwise.

Reference is made to the Announcement dated 28 January 2022. The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.11 per Rights Share, to raise gross proceeds of approximately HK\$35.2 million by issuing 319,648,964 Rights Shares to the Qualifying Shareholders.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

### THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Dong Bo, Frederic and Mr. Wong Siu Keung, Joe, has been formed to advise the Independent Shareholders as to whether the Rights Issue is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendations.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Rights Issue is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Except for being appointed as the independent financial adviser to the Company regarding the refreshment of general mandate proposed in May 2021, which was eventually terminated, we have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue, and accordingly, are eligible to give independent advice and recommendations on the Rights Issue. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue.

### BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this circular have been arrived at after due and careful consideration and there are no other material facts not contained in this circular, the omission of which would make any such statement

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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made by them that contained in this circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this circular, the Underwriting Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 March 2021 (the “**2020/21 Annual Report**”), and the interim report of the Company for the six months ended 30 September 2021 (the “**2021/22 Interim Report**”). We have also discussed with the Directors and the management of the Group with respect to the reasons for the Rights Issue, the terms of the Underwriting Agreement, the businesses and outlook of the Group. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

#### 1. Background and financial information of the Group

##### *(a) Background of the Group*

The Group is principally engaged in (i) the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products (the “**Pearl and Jewellery Business**”); and (ii) the operation of strategic investment and financial services segment, with the objective to include investments in real estate agency business and real estate investment funds and other potential investment opportunities (the “**Investment and Financial Services Business**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Historical financial information of the Group**

Set out below are (i) the audited consolidated financial information of the Group for the two financial years ended 31 March 2020 and 31 March 2021 (“FY2020” and “FY2021” respectively), as extracted from the 2020/21 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2020 and 30 September 2021 (“HY2020” and “HY2021” respectively) as extracted from the 2021/22 Interim Report:

*Consolidated financial performance of the Group*

	<b>FY2020</b>	<b>FY2021</b>	<b>HY2020</b>	<b>HY2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
Pearl and Jewellery Business	109,791	41,244	15,492	30,183
Investment and Financial Services	<u>2,187</u>	<u>2,080</u>	<u>1,097</u>	<u>976</u>
<b>Total of revenue</b>	<u><u>111,978</u></u>	<u><u>43,324</u></u>	<u><u>16,589</u></u>	<u><u>31,159</u></u>
<b>Loss for the year/period attribute to equity holders of the Company</b>	<u><u>(281,822)</u></u>	<u><u>(51,785)</u></u>	<u><u>(43,573)</u></u>	<u><u>(14,395)</u></u>

**FY2021 vs FY2020**

As set out in the table above, the revenue for FY2021 decreased by approximately HK\$68.66 million or 61.3% to approximately HK\$43.32 million for FY2021, as compared with approximately HK\$111.98 million for FY2020. Such decrease in revenue was mainly due to the decrease in revenue of Pearl and Jewellery Business of approximately HK\$68.55 million. According to the 2020/21 Annual Report, the global market sentiment for pearl and fine jewellery was very weak during FY2021 due to the imposed travel restrictions, public health measures and quarantine requirement of travellers by the governments in order to contain the outbreak of the COVID-19.

The Group recorded consolidated net loss of approximately HK\$51.79 million and HK\$281.82 million for FY2021 and FY2020 respectively. Such reduction of net loss of approximately HK\$230.03 million or 81.6% was mainly due to the combined effects of (i) the decrease in revenue as mentioned above; and (ii) absence of the impairment loss on investments in associates of approximately HK\$147.39 million in FY2021. According to the 2020/21 Annual Report, Campfire Holdings Company Limited, the subsidiary of Guardian City Limited (“Guardian City”, collectively as “Campfire Group”), is principally engaged in operation of co-working spaces and co-living spaces in Hong Kong

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and the UK. Due to outbreak of COVID-19, the public health measures and quarantine requirement have adversely affected the operation of Campfire Group. In order to reduce losses and maintain the business of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong by closing down 9 out of the 13 sites in Hong Kong. As at 31 March 2020, the management of the Group carried out impairment assessment on the carrying amount of its interest in Campfire Group. The management considered that it is not possible to measure fair value less costs of disposal under the market conditions. Accordingly, the Group has recognised the impairment loss of investment in Campfire Group of approximately HK\$147.39 million for FY2020 based on the above assessment. In February 2021, Campfire Group was under the capital restructuring by transferring and allotting shares of Guardian City and Campfire Holdings Company Limited among the shareholders. Upon completion of the capital restructuring and as at 31 March 2021, the Group no longer holds any equity interests in Guardian City and has directly held 2.5% of Campfire Holdings Company Limited. In view of such, the Directors have classified the investment of Campfire Group from investment in associate to financial assets at fair value through other comprehensive income at the completion date as the purpose of the investment is for long term investment.

### HY2021 vs HY2020

As set out in the table above, the revenue of the Group for HY2021 increased by approximately HK\$14.57 million or 87.8% to approximately HK\$31.16 million in HY2021, as compared with approximately HK\$16.59 million in HY2020. According to the 2021/22 Interim Report, such increase in revenue was mainly due to increase in revenue of Pearl and Jewellery Business of approximately HK\$14.69 million.

The Group recorded consolidated net loss of approximately HK\$43.57 million and HK\$14.40 million for HY2020 and HY2021 respectively. As disclosed in the 2021/22 Interim Report, such reduction of net loss of approximately HK\$29.17 million or 66.9% was mainly due to (i) the increase in revenue as mentioned above; and (ii) the decrease in administrative expenses mainly as a result of cost control measures deployed by the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Consolidated financial position of the Group*

	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)
<b>Non-current assets</b>		
Property, plant and equipment	533	441
Right-of-use assets	<u>1,216</u>	<u>690</u>
	1,749	1,131
<b>Current assets</b>		
Inventories	24,827	20,909
Trade and other receivables, deposits and prepayments	40,765	34,646
Cash and cash equivalents	<u>24,424</u>	<u>25,496</u>
	90,016	81,051
<b>Total assets</b>	91,765	82,182
<b>Current liabilities</b>		
Trade and other payables and accruals	13,922	14,337
Other borrowings	30,000	30,000
Lease liabilities	1,271	562
Amount due to immediate holding company	<u>339</u>	<u>339</u>
	45,532	45,238
<b>Non-current liabilities</b>		
Lease liabilities	288	167
<b>Net current assets</b>	<u>44,484</u>	<u>35,813</u>
<b>Net assets</b>	<u>45,945</u>	<u>36,777</u>
<b>Gearing ratio (Note)</b>	<u>65.3%</u>	<u>81.6%</u>

*Note:* The gearing ratio represents the total borrowings divided by total equity.

Non-current assets of the Group as at 31 March 2021 and as at 30 September 2021 mainly comprised, (i) property, plant and equipment; and (ii) right-of-use assets, and remain relatively stable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Current assets of the Group decreased from approximately HK\$90.02 million as at 31 March 2021 to approximately HK\$81.05 million as at 30 September 2021, representing a decrease of approximately HK\$8.97 million or 10.0%. Such decrease was mainly due to (i) the decrease in inventories, which partially have been sold during HY2021; and (ii) the decrease in trade and other receivables, deposits and prepayment, which comprised, among other things, certain convertible notes (“**UK Convertible Notes**”) issued by Wonderland (UK) Holdings Limited (“**Wonderland (UK)**”) and subscribed by the Group on 10 November 2017. Such UK Convertible Notes would be redeemed at 100% of the principal amount on 9 November 2020. On 9 November 2020, all convertible loan notes expired and no conversion option was exercised by the Group. The Group opted for not converting any conversion option to convert the UK Convertible Notes to the ordinary share of Wonderland (UK) and the Group had reclassified the UK Convertible Notes at fair value through profit or loss measurement category into the amortised cost measurement category. As at 30 September 2021, the outstanding principal amount of UK Convertible Notes of approximately GBP3,500,000 (equivalent to approximately HK\$36,735,000), as compared with approximately GBP3,500,000 (equivalent to approximately HK\$35,725,000) as at 31 March 2021, was recognised as receivables and included in other receivables. The receivables are guaranteed by the shareholders of Wonderland (UK) and pledged to the other borrowings with details mentioned below. As at the Latest Practicable Date, other than the interest income from the UK Convertible Notes, no repayment of the principal amount has been received.

Current liabilities of the Group mainly comprised, among other things, (i) trade and other payables and accruals; (ii) other borrowings; (iii) the current liabilities portion of lease liabilities; and (iv) amount due to immediate holding company, and the non-current liabilities of the Group represented the non-current liabilities portion of the lease liabilities. Both current and non-current liabilities of the Group remained stable as at 31 March 2021 and 30 September 2021.

The gearing ratio of the Group, which represents the total borrowings (including current and non-current portion) divided by total equity, increased from approximately 65.3% as at 31 March 2021 to approximately 81.6% as at 30 September 2021 and such increase was mainly due to the decrease in current assets.

### *Cash and debt position of the Group*

As at the Latest Practicable Date, the other borrowings of the Group represent (i) the secured loan provided by Kingston Finance Limited with principal amount of HK\$25,000,000 bear fixed interest rate at 15.0% per annum (the “**Loan A**”), which is scheduled to be repayable on 25 July 2022 with repayable demand clause and is secured by the UK Convertible Notes; (ii) the unsecured loan provided by Kingston Finance Limited with principal amount of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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HK\$3,800,000 bear fixed interest rate at 15.0% per annum (the “**Loan B**”), which is repayable on 25 January 2023; and (iii) the unsecured loan provided by Kingston Finance Limited with principal amount of HK\$1,000,000 bear fixed interest rate at 15.0% per annum (the “**Loan C**”), which is repayable on 6 May 2022. Loan A, Loan B and Loan C were originated on 22 January 2021, 26 January 2022 and 8 February 2022, and the purposes of Loan A, Loan B and Loan C were used as refinancing the previous loans, general working capital and repayment of interest of Loan A, respectively.

As at the Latest Practicable Date, the total outstanding balance of the Loan A, Loan B and Loan C (together as the “**Outstanding Loans**”), including the accrued interest, was approximately HK\$31.0 million. The Company intends to repay all outstanding balance of Loan A and Loan C and the accrued interest of Loan B upon completion of the Rights Issue.

According to the management account of the Group, the Company has cash and cash equivalents amounted to approximately HK\$22.5 million as at 31 December 2021. In light of the above historical financial performance of the Group, the Group has been loss making in the last two financial years and HY2021. We have discussed with the management of the Group, the Company intends to maintain a level of cash balance for its general working capital. From our review of the financial information of the Group, we also note that the interest rates of the Outstanding Loans, which are 15.0% per annum, will further worsen the performance of the Group. Therefore, we consider that the equity fund raising by Rights Issue to offset partial of the Outstanding Loans can relieve the Group’s financial burden by reducing its finance costs and reduce gearing ratio to improve the financial position of the Group (further details are set out in the section headed “2. Reason for and benefits of the Rights Issue and use of proceeds” below) and is in the interests of the Company and the Shareholders as a whole.

## 2. Reason for and benefits of the Rights Issue and use of proceeds

### *(a) Intended use of proceeds*

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$32.9 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.103. The Company intends to apply the net proceeds from the Rights Issue amounted to approximately HK\$27.2 million towards the repayment of the Group’s loan and accrued interests upon completion of the Rights Issue and the net proceeds from the Rights Issue amounted to approximately HK\$5.7 million for general working capital for the next 18 months upon completion of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the Company intends to repay all outstanding balance of Loan A and Loan C and the accrued interest of Loan B upon completion of the Rights Issue, we have discussed with the management of the Group and reviewed the loan agreements of the Outstanding Loans as provided by the Company. We consider that such allocation of the net proceeds of the Rights Issue is fair and reasonable as Loan A and Loan C will be due on 25 July 2022 and 6 May 2022 respectively, and also it can reduce interest burden and improve the gearing of the Group as mentioned below.

### ***(b) Reasons for and benefits of the Rights Issue***

As disclosed in the Letter from the Board, taking into account (i) the Group's loss-making position and current financial position; (ii) the worsening financial performance of the Group since the outbreak of COVID-19; and (iii) the risks and uncertainties associated with emerging COVID-19 variants in the Group's overseas markets, the Directors consider that there is an imminent need for the Company to conduct the Rights Issue to ease the liquidity pressure and improve the financial position of the Group. The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.

As discussed in section headed "1. Background and financial information of the Group" above, the Group recorded net loss in FY2020, FY2021 and HY2021 and the business environment of Pearl and Jewellery Business is expected to remain challenging in the near future due to the imposed travel restrictions, public health measures and quarantine requirement of travellers. Furthermore, the interest expenses from the borrowings worsen the financial performance of the Group. The interest expenses from the other borrowings were approximately HK\$4.24 million and HK\$2.23 million for FY2021 and HY2021 respectively. With reference to the management account of the Group, the cash and cash equivalents of the Company as at 31 December 2021 was approximately HK\$22.5 million in comparison to the Outstanding Loans with the total outstanding balance of approximately HK\$31.0 million as at the Latest Practicable Date. The gearing ratio of the Group as at 30 September 2021 was approximately 81.6%. As such, in light of the future prospect of the businesses of the Group, we consider that the Company does not have sufficient cash to settle its borrowings in the coming years and the interest expenses from the Outstanding Loans, which all bear interest rate of 15.0% per annum, will remain a financial burden to the performance of the Group. Assuming the net proceeds from the Rights Issue of approximately HK\$32.9 million is taken place and all other financial information remains unchanged, the Company will be able to fulfill all its debt obligation and the gearing ratio of the Group will be improved.

*(c) Alternative sources of financing*

As disclosed in the Letter from the Board, the Company had conducted the placing of new Shares under general mandate in September 2021 to raise net proceeds of approximately HK\$5.2 million for repayment of partial repayment of the Group's loan and accrued interest and working capital use. However, such proceeds are not able to fulfil the repayment of the entire outstanding balance of the Loan A which due on 25 July 2022 and is fully utilized as at the Latest Practicable Date.

The Group has considered the pros and cons of alternative fund-raising methods, including but not limited to debt financing and equity financing such as the placing of new Shares and open offer, before resolving to the Rights Issue.

In respect of debt financing, the Company has approached several financial institutions for exploring possibility of new borrowings but understand that they are unwilling to grant the new borrowings as the Group does not have any other significant assets which is satisfactory to the banks that can serve as collaterals. Given that the Group was loss making and the high gearing ratio, it is contemplated that even if such new borrowings would be available, the finance costs would be relatively high. Furthermore, additional borrowings will further deteriorate the gearing position of the Group.

In respect of equity financing, the Board considers that placing of new Shares would be less favourable as it will lead to an immediate and high dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company given that the size of the funding needs. The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more preferable to an open offer as it offers the Qualifying Shareholders an option to sell their entitlement rights. Accordingly, the Directors consider that fund-raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

In light of the above, in particular that (i) the Group intends to repay the loans to reduce the interest expenses and the terms of new borrowings may not be as favourable as the existing borrowings; (ii) the placing will dilute the interests of existing Shareholders without offering them the opportunity to take part in the exercise; and (iii) the open offer does not offer flexibility to the existing Shareholders in dealing with the nil-paid rights attaching to the Rights Shares while the Rights Issue offers flexibility to the Qualifying Shareholders to dispose of their entitled nil-paid rights in the open market if they do not wish to take up the entitlements, the Rights Issue is an equitable means to raise funding for the Group by allowing pro-rata participation of the Qualifying Shareholders after considering other financing alternatives by the Directors. We consider that the Rights Issue represents

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an opportunity to raise fund to relieve the financial burden from existing borrowings under the current market sentiment and it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

### 3. Principal terms of the Rights Issue

#### *(a) Terms of the Rights Issue*

Set out below is summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

##### *Issue statistics*

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.11 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	319,648,964 Shares
Number of Rights Shares:	:	319,648,964 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$6,392,979.28 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	639,297,928 Shares (assuming no change in the issued share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares which are fully underwritten by the Underwriter pursuant to the terms and conditions set out in the Underwriting Agreement, being 319,648,964 Rights Shares

As at the Latest Practicable Date, there are (i) 1,996,800 outstanding Share Options, which are exercisable at the exercise price of HK\$13.40 each; and (ii) 100,000 outstanding Share Options, which are exercisable at the exercise price of HK\$12.00 each. Save for the aforesaid, as at the Latest Practicable Date, the Group had no other outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

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On 28 January 2022, each of the Optionholders has given his/her Optionholders Undertaking to the Company to the effect that he/she will not exercise any of his/her Share Options on or before the Record Date. For further details of the Optionholders Undertaking, please see the paragraph headed “THE UNDERWRITING AGREEMENT — The Optionholders’ Undertakings” in the Letter from the Board.

Assuming no Shares are issued or repurchased on or before the Record Date, 319,648,964 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

***(b) Analysis on the Subscription Price***

The Subscription Price is HK\$0.11 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 10.57% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.35% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of 6.30% to the average of the closing prices of HK\$0.1174 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 2.22% to the theoretical ex-rights price of HK\$0.1125 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.15%, represented by the theoretical diluted price of approximately HK\$0.1137 per Share to the benchmarked price of HK\$0.1174 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement); and
- (vi) a discount of approximately 4.35% to the net asset value per Share attributable to the Shareholders of approximately HK\$0.115 per Share calculated based on the unaudited net asset value attributable to equity

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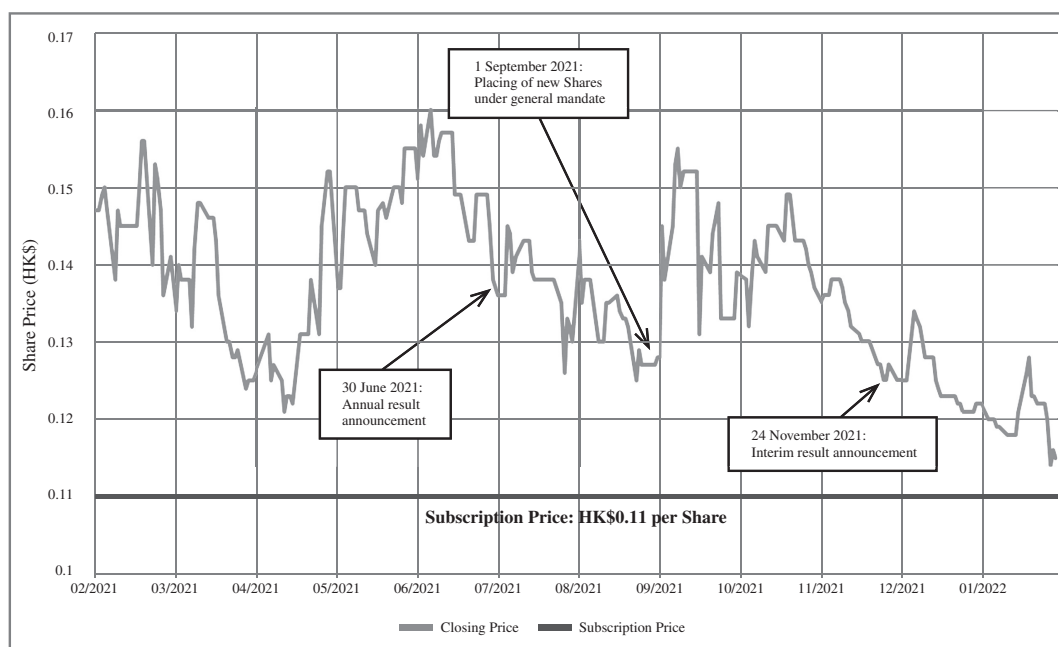
holders of the Company of approximately HK\$36.8 million as at 30 September 2021 and 319,648,964 Shares in issue as at the Latest Practicable Date.

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market prices of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the latest financial position of the Group; and (iii) the reasons for and benefits of Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND INTENDED USE OF PROCEEDS" as discussed in the Letter from the Board.

### *(c) Comparison with historical closing prices of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 1 February 2021 to the Last Trading Day (the "**Share Price Review Period**") (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the daily closing price and trading volume of the Shares and the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

**Chart 1: Historical closing prices of the Shares**



Source: website of the Stock Exchange

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As shown in the chart above, during the Share Price Review Period, the average closing price was approximately HK\$0.137 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.114 per Share recorded on 26 January 2022 (the “**Lowest Closing Price**”) to HK\$0.160 recorded on 7 June 2021 (the “**Highest Closing Price**”). As shown in the Chart 1, we note that the Shares were traded above the Subscription Price throughout the Share Price Review Period. The Subscription Price of HK\$0.11 represents (i) a discount of approximately 3.5% to the Lowest Closing Price of HK\$0.114 per Share; (ii) a discount of approximately 31.3% to the Highest Closing Price of HK\$0.160 per Share; and (iii) a discount of approximately 19.7% to the Average Closing Price of HK\$0.137 per Share. Moreover, we note that the closing price per Share had been fluctuating during the Share Price Review Period but demonstrated a downward trend after September 2021. The closing Share price gradually decreased from HK\$0.155 per Share on 8 September 2021 to the Lowest Closing Price on 26 January 2022.

As discussed in the section headed “Comparison with recent rights issue exercises” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue as to meet the companies’ need for additional funding. Considering (i) the deteriorated financial performance of the Group as mentioned above; (ii) the Subscription Price representing only a discount of approximately 4.35% to the closing price of HK\$0.115 per Share on the Last Trading Day; and (iii) the Subscription Price representing a discount of approximately 3.5% to the Lowest Closing Price of HK\$0.114 per Share on 26 January 2022, which is only two days before the Last Trading Day, we consider the discount of the Subscription Price is fair and reasonable.

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### (d) *Historical trading liquidity of the Shares*

Month	Number of trading days	Monthly turnover	Average daily turnover	Number of days with no turnover	% of average daily turnover over total number of Shares in issue (Note 1)	% of average daily turnover over total number of Shares held by public Shareholders (Note 2)
2021						
February	18	2,699,001	149,945	3	0.06%	0.08%
March	23	880,000	38,261	8	0.01%	0.02%
April	19	4,995,200	262,905	4	0.10%	0.14%
May	20	2,540,600	127,030	5	0.05%	0.07%
June	21	4,822,200	229,629	3	0.09%	0.13%
July	21	2,857,190	136,057	5	0.05%	0.07%
August	22	2,893,600	131,527	5	0.05%	0.07%
September	21	8,285,000	394,524	2	0.12%	0.17%
October	18	2,688,800	149,378	4	0.05%	0.06%
November	22	2,001,154	90,962	9	0.03%	0.04%
December	22	750,200	34,100	8	0.01%	0.01%
2022						
January						
(Note 3)	<u>20</u>	2,991,726	149,586	<u>6</u>	0.05%	0.06%
Total	<u>244</u>			<u>62</u>		

Source: website of the Stock Exchange

Note 1: Calculated based on the total number of the Shares at the end of each month.

Note 2: Calculated based on the total number of the Shares in public hands (i.e., after excluding the controlling shareholder(s) or single largest shareholder) at the end of each month according to the public information on the Stock Exchange.

Note 3: Up to the Last Trading Day.

As demonstrated in the table above, no trading of the Shares was recorded on 62 trading days on the Stock Exchange during the Share Price Review Period. The average daily trading volume of the Shares by month were in the range of approximately 0.01% to 0.12% as to the total number of issued Shares with an average of 0.05%. The average daily trading volume of the Shares by month were in the range of approximately 0.01% to 0.17% as to the total number of Shares held by public Shareholders after excluding the largest substantial shareholder of the Company with an average of 0.08%. Upon our review of the “HKEx Monthly Market Highlights” for the period from February 2021 to January 2022 (the “**Relevant Period**”) available on the website of the Stock Exchange ([https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en)), we note that the average daily trading turnover to total market capitalisation of listed securities (including Main Board and GEM listed

issuers) (the “**Market Trading Turnover Ratio**”) during such period ranged from approximately 0.28% to approximately 0.44% with the average of approximately 0.33%. We consider the Market Trading Turnover Ratio, as extracted from “HKEx Monthly Market Highlights”, is a representative indicator for overall trading volume of the securities listed on the Stock Exchange. In view of this, we consider the trading liquidity of the Shares of the Company as a listed issuer of the Stock Exchange are generally thin during the Share Price Review Period, given that all of the average daily trading volume of the Shares by month as to the total number of issued Shares during the Share Price Review Period is generally below the low end (i.e., 0.28%) of the Market Trading Turnover Ratio during the Relevant Period. In light of the relatively thin trading liquidity of the Shares, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interest in the Company.

*(e) Comparison with recent rights issue exercises*

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have identified an exhaustive list of 8 fully-underwritten rights issue transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange for the period from six months immediately prior to the Last Trading Day (the “**Comparable Review Period**”). Although the Comparables include rights issue in different basis, engaged in different business or have different financial performance and funding needs from the Company, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issue and we are not aware of any established evidence showing any correlation between the entitlement basis of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represent a more comprehensive overall market sentiment in our comparable analysis; (iv) a six months period for the selection of the Comparables has generated a reasonable samples size to reflect the market practice regarding rights issue in the recent period; and (v) the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar fully-underwritten rights issue transactions conducted by other issuers listed on the Stock Exchange, we consider the list of Comparables are fair and representative samples. In addition, we consider that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide us with the recent and relevant information in relation to the rights issue to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) we are able to identify an exhaustive list of 8 representative Comparables meeting the aforesaid criteria for comparison analysis in such period.

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Date of announcement	Stock code	Company name	Basis of entitlement	Premium/discount of the subscription price over/to the closing price on the last trading day prior to/on the date of the relevant announcement	Premium/discount of the subscription price over/to the theoretical ex-right price base on the last trading day prior to/on the date of the relevant announcement	Premium/discount of the subscription price over/to the consolidated net asset value per share (Note 1)	Theoretical dilution effect (Note 2)	Underwriting commission	Excess application Yes/No
21 January 2022	8112	Cornerstone Financial Holdings Limited	3 for 1	-11.63%	-3.18%	-87.86%	14.62%	3.50%	Yes
29 December 2021	3866	Bank of Qingdao Co., Ltd.	3 for 1	-11.50%	-9.10%	-25.62%	6.00%	N/A (Note 3)	Yes
26 November 2021	8375	Vertical International Holdings Limited	1 for 2	-40.80%	-31.60%	-62.40%	14.20%	4.00%	Yes
23 November 2021	2363	Tongda Hong Tai Holdings Limited	2 for 1	-30.00%	-12.50%	-82.55%	20.83%	nil (Note 4)	No
24 October 2021	405	Yuexiu REIT Asset Management Limited	37 for 100	-12.80%	-9.60%	-39.30%	3.40%	nil (Note 4)	No
2 September 2021	567	Daisho Microline Holdings Limited	1 for 1	-44.44%	-28.57%	-15.18%	22.22%	2.00%	Yes
12 August 2021	488	Lai Sun Development Company Limited	1 for 2	-50.00%	-38.90%	-93.99%	33.33%	2.00%	Yes
6 August 2021	1867	LKS Holdings Group Limited	1 for 5	-9.84%	-8.33%	109.32%	16.67%	1.50%	Yes
			Maximum	-50.00%	-38.90%	109.32%	33.33%	4.00%	
			Minimum	-9.84%	-3.18%	-93.99%	3.40%	1.50%	
			Average	-26.38%	-17.72%	-37.20%	16.41%	2.60%	
			Median	-21.40%	-11.05%	-50.85%	15.65%	2.00%	
		The Company	1 for 1	-4.35%	-2.22%	-4.35%	3.15%	2.50%	Yes

Source: website of the Stock Exchange

**Note 1:** The net asset value per share was extracted from the relevant announcement or circular of the Comparables, where such information is not available from the above published sources, computed based on the reported net asset value as shown in the latest interim results or annual results of the Comparables divided by the number of issued shares as at the date of the relevant announcement of the Comparables.

**Note 2:** The theoretical dilution effect is calculated in according to Rule 10.44A of the Rules Governing of the Listing of Securities on GEM or Rule 7.27B of the Listing Rules.

**Note 3:** The H share of Bank of Qingdao Co., Ltd. is fully underwritten by the underwriter. The underwriting fee is not disclosed.

**Note 4:** The underwriters of Tongda Hong Tai Holdings Limited and Yuexiu REIT Asset Management Limited are the substantial shareholder and no underwriting commission is payable. We have excluded the underwriting commission of Tongda Hong Tai Holdings Limited and Yuexiu REIT Asset Management Limited in our analysis.

As illustrated from the above table, the pricing of all Comparables represents a discount to both the closing share prices on the last trading day and to the theoretical ex-entitlement prices of the shares. There are 7 out of 8 Comparables that the pricing of a rights issue represents a discount to the consolidated net asset value per share. The subscription prices of the Comparables:

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- (i) ranged from a discount of approximately 9.84% to a discount of approximately 50.00% (the “**Last Trading Day Range**”), with a median of a discount of approximately 21.40% and an average of a discount of approximately 26.38% (the “**Last Trading Day Average Discount**”) for their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Comparables;
- (ii) ranged from a discount of approximately 3.18% to a discount of approximately 38.90% (the “**Theoretical Ex-Right Price Range**”), with a median of a discount of approximately 11.05% and an average of a discount of approximately 17.72% (the “**Theoretical Ex-Right Price Average Discount**”) for their respective average theoretical ex-rights prices per share based on the closing prices on the last trading day prior to/ on the dates of the relevant announcements of the Comparables; and
- (iii) ranged from a discount of approximately 93.99% to a premium of approximately 109.32% (together, the “**NAV Range**”), with a median of a discount of approximately 50.85% and an average of a discount of approximately 37.20% for their respective subscription price to the net asset value per share of the Comparables.

The Subscription Price of HK\$0.11 per Rights Share represents (i) a discount of approximately 4.35% to the closing price per Share on the Last Trading Day (the “**Last Trading Day Discount**”); (ii) a discount of approximately 2.22% to the theoretical ex-rights price per Share (the “**Theoretical Ex-Right Price Discount**”); and (iii) a discount of approximately 4.35% to the net asset value per Share (the “**NAV Discount**”). We note that each of the Last Trading Day Discount, Theoretical Ex-Right Price Discount and the NAV Discount is within the Last Trading Day Range, Theoretical Ex-Right Price Range and NAV Range, respectively.

We note that all of the Comparables offer a discount to their prevailing market price, it is a common market practice that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day and to the theoretical ex-entitlement prices of the shares in order to enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue.

Having considered that (i) the trading volume of the Shares was thin during the Share Price Review Period as discussed under the sub-section headed “historical trading liquidity of the Shares” above; (ii) the general downward trend of the closing price of the Shares in the recent months as discussed under the sub-section headed “Comparison with historical closing prices of the Shares” above; (iii) the Last Trading Day Discount, Theoretical Ex-Right Price Discount and the NAV Discount is within the Last Trading Day Range, Theoretical Ex-Right Price Range and NAV Range, respectively; (iv) the Company is short of funds to repay its debt; (v) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to

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participate in the Rights Issue and subscribe for the Rights Shares; and (vi) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market, we are of the view that the Subscription Price is justifiable so far as the Independent Shareholders are concerned.

***(f) Application for excess Rights Shares***

Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Excluded Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application; and
- (ii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

As set out in table under the sub-section headed “Comparison with recent rights issue exercises” above, 6 out of 8 of the Comparables have the arrangement for excess application for the qualifying shareholders. With the arrangement of application for excess Rights Shares, the Qualifying Shareholders shall be given a pre-emption right to subscribe for excess Rights Shares if they wish to do so. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other rights issue with arrangement of application for excess rights shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for excess Rights Shares, will be largely maintained after the completion of the Rights Issue. Based on the above, we consider that the arrangement of application for excess Rights Shares for the Qualifying Shareholders and the allocation method for the excess Rights Shares are fair and reasonable so far as the Independent Shareholders are concerned.

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### *(g) Underwriting commission*

With reference to the Letter from the Board, the terms of the Underwriting Agreement, including the Subscription Price and the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the existing financial position of the Group, the size of the Rights Issue, and the market condition. The Directors, based on the information available on the website of the Stock Exchange, noticed that a total of 63 listed companies announced their proposed rights issues from 27 January 2021 to 28 January 2022 (which, to the best knowledge of the Directors, were not subsequently terminated), among which 16 rights issues were fully underwritten by independent underwriters and were charged an underwriting commission in the range of 1% and 7.07% while the mean and median of the rates are 2.54% and 2.5% respectively, which was calculated on the basis of the total subscription price of the rights shares and the underwriting commission of 2.5% payable by the Company is considered by the Board to be consistent with the rates charged in the market.

From the comparison with recent rights issue exercises, where the selection criteria were set as the same under the comparable analysis under the sub-section headed "Comparison with recent rights issue exercises" above, we note that the underwriting commission rate of 2.5% under the Underwriting Agreement is within the range of the underwriting commission received by the underwriters of the Comparables, which was ranged from 1.50% to 4.00%. Accordingly, we consider that the underwriting commission rate is in line with the market.

As mentioned in the Letter from the Board, the Company has approached various financial institutions to explore interest in underwriting the Rights Shares on a fully underwritten basis. We have discussed with the management of the Group and reviewed the information provided by the Company and note that save and except for the Underwriter which agreed to fully underwrite the Rights Shares at the Subscription Price at a commission of 2.5%, other licensed corporations did not show interests to underwrite the Rights Shares on a fully underwritten basis.

In addition, we also note that the Underwriter is a licensed corporation under SFO and has extensive experience in acting as bookrunners, lead managers, underwriter for the fundraising activities of companies listed on the Stock Exchange.

Taking into account the above principal terms of the Rights Issue, the Underwriting Agreement and the competency of the Underwriter, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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### 4. Dilution effect of the Rights Issue on the shareholding of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue, assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders under the Rights Issue	
	<i>Approximate % of total no. of Shares in No. of Shares</i>	<i>Approximate % of total no. of Shares in issue</i>	<i>Approximate % of total no. of Shares in No. of Shares</i>	<i>Approximate % of total no. of Shares in issue</i>	<i>Approximate % of total no. of Shares in No. of Shares</i>	<i>Approximate % of total no. of Shares in issue</i>
Pacific Wish Limited (Note 1)	84,088,691	26.31	168,177,382	26.31	84,088,691	13.15
Underwriter (Note 3)	—	—	—	—	191,648,964	29.98
VMS Securities Limited (Note 3)	—	—	—	—	68,000,000	10.64
Get Nice Securities Limited (Note 3)	—	—	—	—	60,000,000	9.38
Other Shareholders	<u>235,560,273</u>	<u>73.69</u>	<u>471,120,546</u>	<u>73.69</u>	<u>235,560,273</u>	<u>36.85</u>
Total	<u>319,648,964</u>	<u>100.00</u>	<u>639,297,928</u>	<u>100.00</u>	<u>639,297,928</u>	<u>100.00</u>

*Note 1:* The Shares were beneficially owned by Pacific Wish Limited, which was in turned beneficially owned by Mr. Chan Vincent Wing Sing as to 50% and Ms. Hui Ka Man Emily as to 50%.

*Note 2:* Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

*Note 3:* These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) sub-underwriter(s), if any, are Independent Third Party(ies); and (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

As at the Latest Practicable Date, the Underwriter has entered into sub-underwriting agreements (the “**Sub-underwriting Agreements**”) with VMS Securities Limited and Get Nice Securities Limited (the “**Sub-underwriter(s)**”), for sub-underwriting 68,000,000 Rights Shares and 60,000,000 Rights Shares at the Subscription Price, respectively. Pursuant to the terms and conditions of the Sub-underwriting Agreements and the written confirmation from each of the Sub-underwriters, each of the Sub-underwriters has confirmed that (i) it is third

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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party independent of the Company and the Underwriter and their respective connected persons/associates; and (ii) it will ensure that in the ultimate subscribers/purchasers (if any) of the untaken Rights Shares to be procured by them (a) shall be third parties independent of the Company and the Underwriter and their respective connected persons/associates; and (b) shall not, together with any party acting in concert with it, hold 10% or more voting rights of the Company upon completion of the Rights Issue. For illustrative purpose only, in the event that no acceptance by all Qualifying Shareholders under the Rights Issue, where the Subunderwriters are called upon to take up all the Sub-underwritten Shares immediately upon completion of the Rights Issue, the Rights Shares to be taken up represent approximately 10.64% and 9.38% of the issued share capital of the Company immediately upon completion of the Rights Issue, respectively (i.e. would account for less than 30% of the issued share capital of the Company immediately upon completion of the Rights Issue).

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 50.0%.

We note that, assuming no subscription by the Qualifying Shareholders under the Rights Issue, the shareholding interests of the existing public Shareholders would be diluted from approximately 73.69 % to 36.85% of the total number of issued Shares immediately before and after the Rights Issue respectively. However, such dilution effect may only arise when Qualifying Shareholders do not subscribe for their pro-rata Rights Shares. Those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company and have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market. Furthermore, the Rights Issue is subject to Independent Shareholder's approval at the EGM. The Independent Shareholders have the opportunity to express their views on the terms of the Rights Issue through their votes at the EGM. We also note that as stated in the table of Comparables in the section headed "Comparison with recent rights issue exercises" above, the theoretical dilution effect of 3.15% of the Rights Issue is below the minimum theoretical dilution effect of the Comparables (i.e. 3.40%).

Having considered that (i) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; (iii) the reasons for and benefits of the Rights Issue as stated in the section headed “2. Reason for and benefits of the Rights Issue and use of proceeds” above; (iv) the theoretical dilution effect of the Rights Issue is less than the Comparables; and (v) the positive impact on the financial performance and position of the Group as stated in the section headed “5. Possible financial effects of the Rights Issue” below, we are of the view that the potential dilution effect on the shareholding interest of the Shareholders (who decide not to take up their assured entitlements in full) as a result of the Rights Shares is acceptable.

### **5. Possible Financial effects of the Rights Issue**

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

#### ***(a) Net tangible assets***

The unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$36.8 million and HK\$0.1151 per Share as at 30 September 2021. According to the “Unaudited pro forma financial information of the Group set out in Appendix II to this circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$69.6 million and HK\$0.1089 per Share. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

#### ***(b) Gearing ratio***

The gearing ratio (measured by total borrowing divided by total equity) of the Group as at 30 September 2021 was approximately 81.6%. Taking into account the Loan A and Loan C to be settled by the net proceeds from the Rights Issue, the total debt of the Group would be reduced whilst the capital base of the Group would be enlarged accordingly. As such, the Group’s gearing ratio would decrease from approximately 81.6% as at 30 September 2021 to approximately 42.8% immediately after the Rights Issue and reduce to 5.5% after settlement of the Loan A and Loan C.

After taking into consideration of the above, particularly, the improvement in liquidity position and the reduction in gearing ratio of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into account the above principal factors and reasons discussed above, we are of the opinion that the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Rights Issue and the Underwriting Agreement.

Yours faithfully,  
For and on behalf of  
**INCU Corporate Finance Limited**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.affluent-partners.com/>):

- Annual report for the year ended 31 March 2019 (pages 72 to 227):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltm20190729355.pdf>
- Annual report for the year ended 31 March 2020 (pages 72 to 219):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0729/2020072900936.pdf>
- Annual report for the year ended 31 March 2021 (pages 66 to 199):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0722/2021072200885.pdf>
- Interim report for the six months ended 30 September 2021 (pages 4 to 49):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1216/2021121600179.pdf>

## 2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products (“**Pearls and Jewellery Business Segment**”) and (ii) the operation of strategic investment and financial services segment (“**Strategic Investment and Financial Services Segment**”), with the objective to include investments in real estate agency business and real estate investment funds and other potential investment opportunities.

### Pearls and Jewellery Business Segment

The Pearls and Jewellery Business Segment principally engaged in the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products (with and without pearls). Apart from selling jewellery products designed by the Group, the Group also sells jewellery products on an original equipment manufacturer basis, whereby the customers provide the product designs). As at the Latest Practicable Date, the Group did not market its jewellery products under its own brand. Whilst designs of the Pearls and Jewellery Business Segment are principally focused on using pearls as its main theme, the Group also designs and produces jewellery products without pearls to provide its customers a wider selection of products. Pearls that the Group sells are typically sold in loose form or in strands. The Group also uses its processed pearls in making jewellery products. The Group’s customers are mainly retailers and other jewellery merchandisers and distributors in the United States, Europe and other parts of the world.

The Group owns its own production facilities in Shenzhen, the PRC. While the Group carries out most of the pearl processing and jewellery product design and production process, some of the Group's jewellery products require certain parts e.g. rings, earring pins to be further coated with a protective coating to reduce potential oxidation. The Group does not have this production process and as such sub-contracts this intermediary production step to Independent Third Parties. The Group has, from time to time, engaged various subcontractors for such processes as these subcontractors are flexible with the number of products are that required to be processed.

The revenue in Pearls and Jewellery Business Segment had been decreasing sharply since the outbreak of COVID-19. To combat the spread of COVID-19 and its variants, the United States, Europe and other countries that the Group sells to had to implement tough measures, for instance, putting their countries or cities under lockdown, restricting movement of people by pronouncing “stay-home” orders, suspending or limiting business operations in the countries or cities and restricting freight transportation, etc from time to time.

The Company considers that the global outbreak of COVID-19 has had a significant impact on the Group's sales in Pearls and Jewellery Business Segment to in the United States, Europe and other markets, whereby affecting the financial performance of the Group in the past few years. Although the Group does not operate any retail stores, the customers of the Pearls and Jewellery Business Segment are mainly retailers and other jewellery merchandisers and distributors, different measures to contain COVID-19, together with the aftermath, the discretionary spending of retail customers, and actual and perceived unfavourable economic conditions had materially affected the Group's business performance since the beginning of 2020.

Further, owing to the travel restrictions and/or lockdown measures imposed by the governments of various countries and cities as well as the governments' recommendation to maintain social distancing to reduce the chance of transmission of COVID-19, the Group's sales and marketing team has not been able to conduct certain sales and marketing activities such as face-to-face meetings with the potential a customers or attending trade fairs or exhibitions to explore potential and new business opportunities as before, and instead to conduct marketing activities through alternative means such as phone calls and emails, which the Company believes, are relatively less effective than conducting visits or meetings directly with the potential customers.

To ensure the Group's business continuity, the Group (i) would continue to maintain close business relationship with its customers; and (ii) would continue to strictly control costs and improve operation efficiency and productivity to stay competitive.

The Group has close direct working relationships with its existing customers as it believes this strong client base will continue to give the Group a solid income source. Good relationships with the customers also enable the Group to keep abreast of the latest product developments and consumers' preferences. The Group also plans to generate more business by word of mouth as participating in exhibition as before is unlikely to be practical in near future.

Looking ahead, the Group understands the tremendous challenges that have occurred previously and will continue to anticipate new factors that might emerge in 2022. Since mid-2020, the Group has carried out the rightsizing and restructuring to eliminate redundant assets and become leaner to achieve cost reduction initiatives. The Group has outsourced the manufacturing team and downsized the factory so to reduce its fixed cost. As a result of such moves, 185 positions had been eliminated since 2020, which includes staff for operating the factory and designers.

While the Company expect the impact of COVID-19 outbreak on the Pearls and Jewellery Business Segment in these countries is not long-term on the basis that (i) the increased popularity of online shopping by consumers which allows consumers to buy online in the event of closure of physical stores following the lockdown measures; (ii) recent breakthrough in the development and use of vaccines for preventing COVID-19 infections by well-established international pharmaceutical companies; and (iii) the easing of national partial lockdown measures in the United States and Europe recently. This is supported by the fact that segmental revenue generated from the Pearls and Jewellery Business Segment increased from approximately HK\$15.5 million for the six months ended 30 September 2020 to approximately HK\$30.2 million for the six months ended 30 September 2021, representing a year-on-year increase of approximately 94.8%.

Despite of the uncertainties of the global economic conditions and the challenging business environment, the management of the Group will use its best efforts to continue to enhance and create value to the Shareholders.

While the Board considers the market sentiment is continuously improving, nevertheless, the unprecedented circumstances brought about by the COVID-19 pandemic continue to pose challenges to the business of the Group, the Group will continue to strictly control costs and improve operation efficiency and productivity in a bid to stay competitive. The Group will continue to actively participate in various important jewellery and gem fairs around the world when the Outbreak is stable in order to maintain its diversified customer base.

**Strategic Investment and Financial Services Segment**

The Strategic Investment and Financial Services Segment included investments in real estate agency business, real estate investment funds and co-working space industry as well as other potential investment opportunities. As at the Latest Practicable Date, the Group principally focus on real estate agency business located in the United Kingdom and the co-working spaces business located in Hong Kong.

The revenue in the Strategic Investment and Financial Services Segment had decreased sharply after Brexit and the continuing impact of COVID-19 pandemic. Due to the spread of COVID-19, the number of visitor arrival from mainland declined significantly and the business operating environment in Hong Kong become more uncertain. Besides, the travel restrictions, public health measures and quarantine requirement of travelers which were imposed by Hong Kong government and other countries have adversely affected the operation of our co-working space business. Meanwhile, the property market of United Kingdom faced major risks and uncertainties associated with Brexit. This is supported by the fact that segmental financial performance generated from the Strategic Investment and Financial Services Segment decreased from approximately HK\$1.98 million profit for the six months ended 30 September 2020 to approximately HK\$4.74 million loss for the six months ended 30 September 2021, representing a year-on-year decrease of approximately 339.4%.

The Company considers that social movement and the outbreak of COVID-19 has had a significant impact on the Group's business in the Strategic Investment and Financial Services Segment, whereby affecting the financial performance of the Group in the past few years. The clients of co-working business have been affected significantly and it attributed to the decline of the demand of co-working space due to the strict travel restriction and/or social distance restriction measures imposed by the government which weaken the consumer sentiment and reduced number of visitors entering Hong Kong.

With the development of the existing Strategic Investment and Financial Services Segment, the Group will focus its investments and operations more in the real estate, co-working spaces and investment and asset management sectors especially in Europe and Asia.

As at the Latest Practicable Date, the Group has no plan to increase its investment in the Strategic Investment and Financial Services Segment, due to the uncertainty of the time for the society to be recovered from the pandemic. However, the Group is optimistic regarding the demand of co-working space after the pandemic, due to the change in the working hours and location. The Company anticipate that the Strategic Investment and Financial Services Segment will diversify the income streams of the Group, and generate additional investment returns on the available funds of the Company from time to time. The Company expect that the segment will be the growth driver and will actively make continuous efforts to find appropriate investment projects in the future.

In spite of uncertainty in the global economy and the challenging business environment, the management of the Group will continue to create value for shareholders through the enhancement of the operating performance.

**3. INDEBTEDNESS**

	As at 31 January 2022 HK\$'000
Other borrowings ( <i>Note a</i> )	28,800
Lease liabilities ( <i>Note b</i> )	<u>2,164</u>
	<u>30,964</u>

*Notes:*

- (a) As at 31 January 2022, the other borrowings consisted of two loans:

One of the loans was a secured loan with principal amount of HK\$28,000,000 bear fixed interest rate at 15.0% per annum which is repayable on 25 July 2022 with a repayable on demand clause. It is secured by other receivables with an aggregate borrowing amount of HK\$28,000,000 and accrued interests, if any. The Group has partially repaid HK\$3,000,000 as at 31 January 2022.

Another loan was an unsecured loan with principal amount of HK\$3,800,000 bear fixed interest rate at 15% per annum which is repayable on 26 January 2023 with a repayable on demand clause.

- (b) The Group entered into several lease agreements for leasing of office premises located in Hong Kong and the PRC and recognised as right-of-use assets and lease liabilities for these leases. Such lease liabilities amounted to approximately HK\$2,164,000 as at 31 January 2022, which were classified as to HK\$1,342,000 as current liabilities and HK\$822,000 as non-current liabilities. The interest rates of the lease liabilities ranged from 5.1% to 15.0% per annum.

**Contingent liabilities**

At the close of business on 31 January 2022, the Group had neither any guarantee nor any other contingent liabilities in existence.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 31 January 2022, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) estimated proceeds from the Rights Issue, and (iii) the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

The Company has obtained the comfort letter under Rule 14.66(12) of the Listing Rules that the persons or institutions providing finance have confirmed in writing the existence of such facilities.

As at the Latest Practicable Date, the Company has obtained the relevant confirmation as required under paragraph 30 of Appendix 1, Part B of the Listing Rules.

## **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, so far as was known to the Directors, there are no material adverse change in the financial or trading position of the Group since 31 March 2021, the date to which the latest published audited financial statements of the Group were made up.

*For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2021. The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Rights Issue.*

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021, as extracted from the published interim report of the Company for the six months ended 30 September 2021, with adjustments described below.

				Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share immediately after the completion of the Rights Issue
	Unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2021 HK\$'000 (Note 1)	Unaudited estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2021 HK\$'000	Unaudited consolidated net tangible assets attributable to equity holders of the Company per Share before the completion of the Rights Issue HK\$ (Note 3)
Based on number of 319,648,964 Rights Shares to be issued	36,777	32,862	69,639	0.1151
				0.1089

*Notes:*

- (1) The unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2021 were extracted and derived from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 (being the reporting line item “Equity attributable to equity holders of the Company” in the condensed consolidated statement of financial position as at 30 September 2021) on which no audit nor review report has been issued for the interim report of the Company published on 24 November 2021.
- (2) The estimated net proceeds from the Rights Issue is approximately HK\$32,862,000 which is based on 319,648,964 Rights Shares to be issued at the Subscription Price of HK\$0.11 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,299,000.
- (3) The unaudited consolidated net tangible assets of the Group per share attributable to equity holders of the Company before the completion of the Rights Issue is determined based on the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2021 of approximately HK\$36,777,000 as disclosed in note 1 above, divided by 319,648,964 Shares in issue as at 30 September 2021.
- (4) Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2021 per Share immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue of approximately HK\$69,639,000 as set out in Note 2 above divided by 639,297,928 Shares which represents the sum of 319,648,964 Shares in issue and 319,648,964 Rights Shares to be issued, assuming that no outstanding share options of the Company will be exercised.
- (5) Save as disclosed above, no other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.*

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大華馬  
施雲  
事務所  
有限公  
司**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF AFFLUENT PARTNERS HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Affluent Partners Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") consists of the unaudited pro forma statement of consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2021 and related notes as set out in Part A of Appendix II to the circular dated 17 March 2022 (the "Circular") issued by the Company in connection with the proposed rights issue on the basis of one rights share for every one existing share of the Company (the "Rights Issue"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2021 as if the Rights Issue had taken place on 30 September 2021. As part of this process, information about the Group's condensed consolidated financial position as at 30 September 2021 has been extracted by the Directors from interim report of the Company for the six months ended 30 September 2021, dated 24 November 2021, on which no audit nor review report has been issued.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with

reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **Our Independence and Quality Control**

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

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

### **Reporting Accountant’s Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2021 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

### **Opinion**

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Leung Yu Ngong**  
Practising Certificate Number: P06734

Hong Kong, 17 March 2022

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is 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 AND OPTIONS

### (a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Increase in Authorised Share Capital becoming effective and after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

#### (i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>500,000,000</u>	Shares of HK\$0.02 each	<u>10,000,000.00</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>319,648,964</u>	Shares of HK\$0.02 each	<u>6,392,979.28</u>

#### (ii) Immediately following the Increase in Authorised Share Capital becoming effective and after completion of the Rights Issue (assuming no change in the number of issue Shares and full acceptance of Rights Shares by all Qualifying Shareholders or through the Underwriter)

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.02 each	<u>200,000,000.00</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
319,648,964	Shares of HK\$0.02 each as at the Latest Practicable Date	6,392,979.28
<u>319,648,964</u>	<u>Rights Shares to be allotted and issued under the Rights Issue</u>	<u>6,392,979.28</u>
<u>639,297,928</u>	<u>Shares of HK\$0.02 each in issue immediately upon Completion</u>	<u>12,785,958.56</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

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

### (b) Share Options

As at the Latest Practicable Date, details of the outstanding Share Options were as follows:

Name of grantee	Number of underlying Shares subject to outstanding Share Options	Date of grant	Exercise price (HK\$ per Share)	Exercise Period
<b>Director</b>				
Leung Alex	100,000	29 October 2018	13.40	29 October 2019 to 28 October 2023
	100,000	29 October 2018	13.40	29 October 2020 to 28 October 2023
Cheung Sze Ming	848,400	29 October 2018	13.40	29 October 2019 to 28 October 2023
	848,400	29 October 2018	13.40	29 October 2020 to 28 October 2023
<b>Others</b>				
Employee	50,000	29 October 2018	13.40	29 October 2019 to 28 October 2023
Employee	50,000	29 October 2018	13.40	29 October 2020 to 28 October 2023
Employee	50,000	13 December 2018	12.00	13 December 2019 to 12 December 2023
Employee	50,000	13 December 2018	12.00	13 December 2020 to 12 December 2023
Total	<u>2,096,800</u>			

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

Name of Director	Capacity and nature of interest	Number of shares held (long position) (Note 1)	Percentage of the Company's issued share capital (Note 2)
Mr. Leung Alex	Beneficial owner	200,000	0.06%
Mr. Cheung Sze Ming	Beneficial owner	1,696,800	0.53%

*Notes:*

1. All underlying Shares are share options granted by the Company under the share option scheme granted on 17 October 2014.
2. The approximate percentages were calculated based on 319,648,964 shares of the Company in issue as at the Latest Practicable Date.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of issued ordinary shares held (long position)	Percentage of the Company's issued share capital (Note)
Pacific Wish Limited (Note 1)	Beneficial owner	84,088,691	26.31%
Mr. Chan Vincent Wing Sing (Note 1)	Interest in controlled corporation	84,088,691	26.31%
Ms. Hui Ka Man Emily (Note 1)	Interest in controlled corporation	84,088,691	26.31%
Active Dynamic Limited (Note 2)	Interest in controlled corporation	319,648,964	100.00%
Kingston Finance Group Limited (Note 2)	Interest in controlled corporation	319,648,964	100.00%
Kingston Capital Asia Limited (Note 2)	Interest in controlled corporation	319,648,964	100.00%
Galaxy Sky Investments Limited (Note 2)	Interest in controlled corporation	319,648,964	100.00%
The Underwriter (Note 2)	Beneficial owner	319,648,964	100.00%
Mrs. Chu Yuet Wah ("Mrs. Chu") (Note 2)	Interest in controlled corporation	319,648,964	100.00%

*Notes:*

1. The Shares were beneficially owned by Pacific Wish Limited, which was in turned beneficially owned by Mr. Chan Vincent Wing Sing ("Mr. Chan") as to 50% and Ms. Hui Ka Man Emily ("Ms. Hui") as to 50%. Accordingly, Mr. Chan and Ms. Hui are deemed to be interested in all the Shares that Pacific Wish Limited is interested in under Part XV of the SFO.
2. The Shares represent the maximum number of Underwritten Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement. The Underwriter is wholly-owned by Galaxy Sky Investments Limited ("GSIL") which in turn is owned by Kingston Capital Asia Limited ("KCAL"), a wholly-owned subsidiary of Kingston Finance Group Limited ("KFGL") which in turn is owned by Active Dynamic Limited ("ADL"). ADL is wholly-owned by Mrs. Chu. Accordingly, GSIL, KCAL, KFGL, ADL and Mrs. Chu are deemed to be interested in all the shares that the Underwriter is interested in under Part XV of the SFO.
3. The approximate percentages were calculated based on 319,648,964 shares of the Company in issue as at the Latest Practicable Date.

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

None of the Director of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

#### **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or substantial shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

#### **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

#### **7. INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2021, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 8. MATERIAL CONTRACTS

The following contract(s) (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the placing agreement dated 14 May 2020 and entered into between the Company and Kingston Securities Limited as the placing agent in relation to the placing of up to 369,900,000 new Shares at the placing price of HK\$0.025 per placing Share;
- (ii) the placing agreement dated 7 January 2021 and entered into between the Company and Kingston Securities Limited as the placing agent in relation to the placing of up to 44,392,000 new Shares at the placing price of HK\$0.116 per placing Share;
- (iii) the letter agreement entered into by Orient Capital Opportunity Fund SPC (for the account and on behalf of Orient Capital Real Estate Fund SP), the Company as the guarantor and Full Wealth Investment Hong Kong Limited (a subsidiary of the Company) dated 23 March 2021 pursuant to which, among others, the Company agreed to be released from its obligations as a guarantor to one of the Company's subsidiary in a subscription of shares in an investment fund relating to a residential estate project in West London, United Kingdom;
- (iv) the placing agreement dated 1 September 2021 and entered into between the Company and Kingston Securities Limited as the placing agent in relation to the placing of up to 53,272,000 new Shares at the placing price of HK\$0.103 per placing Share; and
- (v) the Underwriting Agreement (as supplemented by the supplemental underwriting agreement dated 14 March 2022).

## 9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinions, letter or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
INCUB Corporate Finance Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Moore Stephens CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts had no shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, the above experts had no interest, direct or indirect, in the promotion of, or in any assets which since 31 March 2021, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

#### 10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. Cheng Chi Kin ( <i>Chairman</i> ) Mr. Leung Alex Mr. Cheung Sze Ming Mr. Chiu Sin Nang, Kenny Mr. Dong Bo, Frederic Mr. Wong Siu Keung, Joe
<b>Head office and principal place of business</b>	Room 906, 9/F Wings Building 110–116 Queen's Road Central Central, Hong Kong
<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Legal advisers to the Company as to Hong Kong laws</b>	<b>Lo &amp; Lawyers</b> 21/F, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong
<b>Auditors</b>	<b>Moore Stephens CPA Limited</b> <i>Certified Public Accountants</i> 801–806 Silvercord, Tower 1 30 Canton Road, Tsimshatsui Kowloon, Hong Kong

**Principal bankers****The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Bank of China Limited**

7/F., Bank of China Tower  
1 Garden Road  
Central, Hong Kong

**Hong Kong branch share registrar and transfer office****Tricor Investor Services Limited**

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Authorised representatives****Mr. Cheng Chi Kin**

Room 906, 9/F  
Wings Building  
110–116 Queen's Road Central  
Central, Hong Kong

**Mr. Cheung Sze Ming**

Room 906, 9/F  
Wings Building  
110–116 Queen's Road Central  
Central, Hong Kong

**Company secretary****Mr. Cheung Sze Ming**

*Certified Public Accountants*

**Particulars of the Directors****(a) Name and address of the Directors***Executive Directors*

Mr. Cheng Chi Kin	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong
Mr. Leung Alex	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong
Mr. Cheung Sze Ming	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong

*Independent non-executive  
Directors*

Mr. Chiu Sin Nang, Kenny	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong
Mr. Dong Bo, Frederic	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong
Mr. Wong Siu Keung, Joe	Room 906, 9/F Wings Building 110–116 Queen’s Road Central Central, Hong Kong

**(b) Profiles of Directors***Executive Directors*

Mr. Cheng Chi Kin (“**Mr. Cheng**”), aged 53, was appointed as an executive Director and the Chairman of the Board on 27 September 2019 and 18 October 2019 respectively. He obtained a Degree in Business Studies from University of Glamorgan in 1992 and a Master Degree in Business Administration from Cardiff Business School in 1993. He is a fellow member of Hong Kong Institute of Certified

Public Accountants and a fellow member of the Association of International Accountants. He is also a Chartered Marketer of The Chartered Institute of Marketing and a member of Institute of Management Accountants. He has over 26 years of working experience in merger and acquisition, finance and accounting, banking, asset management and funds operations in various industries including real estate developments, infrastructure developments, real estate investment trusts (REITS), securities investments and natural resources industries. Mr. Cheng was an executive director of Ming Lam Holdings Limited (stock code: 1106), the shares of which are listed on the Main Board of the Stock Exchange, from February 2017 to August 2018. He was also a non-executive director of IRC Limited (stock code: 1029), the shares of which are listed on the Main Board of the Stock Exchange, from February 2017 to March 2020.

Mr. Leung Alex (“**Mr. Leung**”), aged 43, was appointed as an executive Director on 11 April 2016. Mr. Leung obtained his Bachelor of Commerce degree from the University of Auckland, New Zealand in May 2000. Mr. Leung had worked in two international accounting firms from December 2000 to February 2012. He is a fellow member of the Hong Kong Institute of Certified Public Accounting and the CPA Australia. He has more than 20 years of experience in auditing, accounting and corporate management. Mr. Leung is currently an executive director of China Healthwise Holdings Limited (stock code: 348), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Leung was an executive director and the group chief financial officer of Man Sang International Limited (stock code: 938), the shares of which are listed on the Main Board of the Stock Exchange, from October 2014 to November 2018.

Mr. Cheung Sze Ming (“**Mr. Cheung**”), aged 52, was appointed as an executive Director, company secretary and the chief financial officer of the Company on 1 April 2018. He is also an independent non-executive director of Ocean Line Port Development Limited, a company listed on the Growth Enterprise Market (GEM) Board of the Stock Exchange (stock code: 8502) since November 2020 and an independent non-executive director of Great Wall Terroir Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 524) since March 2021. Mr. Cheung holds a Bachelor Degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has accumulated over 20 years’ working experience from an international audit firm and public listed companies. He had spent about 8 years in the international audit firm and was an audit manager before he left the firm. Thereafter, Mr. Cheung has held different senior positions in various public listed companies. He was an executive director and chief financial officer of Dingyi Group Investment Limited (stock code: 508), the shares of which are listed on the Main Board of the Stock Exchange, from October 2011 to March 2018.

*Independent non-executive Directors*

Mr. Chiu Sin Nang, Kenny (“**Mr. Chiu**”), aged 60, was appointed as an independent non-executive Director on 30 September 2020. Mr. Chiu has over 30 years of experience in accounting. Mr. Chiu has held various senior accounting and finance positions in sectors of property investment and development, and information technology development business. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy Degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws Degree from the Peking University, the People’s Republic of China in July 1998, a Degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies Degree and a Bachelor of Arts (Economics) Degree from the York University, Canada in June 1986 and June 1985 respectively. Mr. Chiu is currently an executive director of Kin Shing Holdings Limited (stock code: 1630) and an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), KEYNE LTD (formerly known as Nine Express Limited) (stock code: 0009), Sincere Watch (Hong Kong) Limited (stock code: 444) and Coolpad Group Limited (stock code: 2369), all companies are listed on the Main Board of the Stock Exchange.

Mr. Dong Bo, Frederic (“**Mr. Dong**”), aged 55, was appointed as an independent non-executive Director on 30 September 2020. Mr. Dong has extensive management experience in the People’s Republic of China. Mr. Dong was an executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189) from August 2019 to August 2020 which is listed on the Main Board of the Stock Exchange and the chairman and an executive director of Tech Pro Technology Development Limited (stock code: 3823) from February 2019 to March 2020, the issued shares of which had been formerly listed on the Stock Exchange. In addition, from 2002 to 2004, Mr. Dong was a member of the Standing Committee of the Chamber of Hong Kong Listed Companies, which functions as an effective communication channel between listed companies and regulatory authorities in Hong Kong.

Mr. Wong Siu Keung, Joe (“**Mr. Wong**”), aged 57, was appointed as an independent non-executive Director on 14 January 2022. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master’s Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years. Mr. Wong is currently an independent non-executive director of China Water Industry Group Limited (stock code: 1129) whose shares are listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 8081) and Worldgate Global Logistics Ltd (stock code: 8292), both companies are listed on the GEM of the Stock Exchange.

**11. EXPENSES**

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$2.3 million and will be payable by the Company.

**12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.affluent-partners.com/>) for 14 days from the date of this circular:

- (a) the material contracts referred to in the paragraph headed “8. MATERIAL CONTRACTS” in this appendix;
- (b) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in Appendix II to this circular;
- (c) the written consents referred to in the paragraph headed “9. EXPERTS AND CONSENTS” in this appendix;
- (d) the letter from the Board, the text of which is set out on pages 6 to 26 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular; and
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 51 of this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### AFFLUENT PARTNERS HOLDINGS LIMITED

錢唐控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1466)**

**NOTICE IS HEREBY GIVEN** that a hybrid extraordinary general meeting (“EGM”) of Affluent Partners Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Friday, 1 April 2022 with the combination of a physical meeting at Room 906, 9/F, Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong, and a virtual meeting online for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the authorised share capital of the Company from HK\$10,000,000 divided into 500,000,000 Shares to HK\$200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,500,000,000 Shares (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more of the directors of the Company (the “**Director**”) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

(2) “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 17 March 2022 (the “**Circular**”):

- (a) the issue by way of rights shares (the “**Rights Issue**”) of up to 319,648,964 Shares (the “**Rights Shares**” and each a “**Rights Share**”) at a subscription price of HK\$0.11 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Thursday, 14 April 2022 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the “**Record Date**”) (other than those shareholders (the “**Excluded Shareholders**”) with registered addresses outside

\* For identification purposes only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of one (1) Rights Share for every one share of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the circular issued by the Company dated Thursday, 17 March 2022 of which this notice convening the EGM forms part, be and is hereby approved;

- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 28 January 2022 (as supplemented by the supplemental underwriting agreement dated 14 March 2022) and entered into among the Company and Kingston Securities Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than *pro rata* to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholder(s) as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
  - (d) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Rights Issue and the Underwriting Agreement and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”
- (3) “To re-elect Mr. Wong Siu Keung Joe as an independent non-executive Director.”

Yours faithfully  
For and on behalf of the Board  
**Cheng Chi Kin**  
*Chairman*

Hong Kong, 17 March 2022

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered office:*

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

*Principal place of business:*

Room 906, 9/F  
Wings Building  
110–116 Queen's Road Central  
Central  
Hong Kong

*Notes:*

- 1 All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.
- 2 In view of the outbreak of the novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement special arrangements at the EGM, details of which are set out in the section headed “SPECIAL ARRANGEMENTS FOR THE EGM” on page v of the circular of the Company dated 17 March 2022.  
  
All registered shareholders will be able to join the Meeting or any adjourned meeting thereof via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the Meeting or any adjourned meeting thereof if they wish.
- 3 A member entitled to attend and vote at the EGM convened is entitled to appoint another person(s) as his proxy to attend and vote, via the e-Meeting System, in his stead. A proxy need not be a member of the Company.
- 4 In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person via the e-Meeting System at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 5 The register of members of the Company will be closed from Monday, 28 March 2022 to Friday, 1 April 2022 (both dates inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 March 2022.
- 6 In the case of joint holders of any share(s), only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto.
- 7 For the avoidance of doubt, the Board considers that the EGM is an important opportunity for Shareholders to express their views by raising questions and voting. Shareholders' participation in the EGM continues to be important. Shareholders are encouraged and welcomed to raise questions during the EGM.